SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

FORM 10-Q

|x| QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2003

|_| 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: 000-50129

HUDSON HIGHLAND GROUP, INC.
(Exact name of registrant as specified in its charter)

DELAWARE	59-3547281
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

622 Third Avenue, New York, New York 10017
(Address of principal executive offices) (Zip code)

(212) 351-7300
(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 (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No _

Indicate by check mark whether the registrant is an accelerated filer (as defined by Rule 12b-2 of the Exchange Act). Yes _ No. X

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

Class	Outstanding on October 31, 2003
Common Stock	8,507,430

HUDSON HIGHLAND GROUP, INC.
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PART I-FINANCIAL INFORMATION

ITEM 1. FINANCIAL 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,	
	2003	2002	2003	2002
Revenue	$ 272,181	$ 270,710	$ 800,653	$ 812,577
Direct costs (Note 5)	173,959	166,158	501,181	484,752
Gross margin	98,222	104,552	299,472	327,825
Selling, general and administrative expenses	122,070	110,581	367,408	344,612
Goodwill impairment charge	202,785	-	202,785	-
Business reorganization expenses (recoveries)	(906)	407	6,555	53,133
Merger and integration expenses (recoveries)	(102)	(902)	876	6,056
Operating loss	(225,625)	(5,534)	(278,152)	(75,976)
Other income (expense):				
Other, net	(749)	415	(930)	(8)
Interest income (expense), net	(121)	(287)	(376)	(273)
Loss before provision for (benefit of) income taxes and accounting change	(226,495)	(5,406)	(279,458)	(76,257)
Provision for (benefit of) income taxes	(221)	66	5,917	(1,827)
Loss before accounting change	(226,274)	(5,472)	(285,375)	(74,430)
Cumulative effect of accounting change	-	-	-	(293,000)
Net loss	$(226,274)	$ (5,472)	$(285,375)	$(367,430)
Basic and diluted loss per share:				
Loss before accounting change	$ (26.73)	$ (0.65)	$ (33.78)	$ (8.91)
Net loss	$ (26.73)	$ (0.65)	$ (33.78)	$ (43.99)
Weighted average shares outstanding	8,466	8,364	8,448	8,353

See accompanying notes to consolidated condensed financial statements.

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

	September 30, 2003 (unaudited)	December 31, 2002
ASSETS		
Current assets:		
Cash and cash equivalents	$ 39,312	$ 25,908
Accounts receivable, net	140,976	161,831
Due from Monster Worldwide, Inc.	7,513	-
Other current assets	22,505	28,177
Total current assets	210,306	215,916
Property and equipment, net	39,643	34,106
Intangibles, net	1,569	201,937
Other assets	17,197	15,145
	$268,715	$467,104
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 34,831	$ 28,305
Accrued expenses and other current liabilities	105,123	84,669
Accrued merger and integration expenses	5,244	8,935
Accrued business reorganization expenses	12,752	25,845
Total current liabilities	157,950	147,754
Other liabilities	3,770	2,776
Total liabilities	161,720	150,530
Commitments and contingencies	-	-
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 and outstanding: 8,507 and 0 shares, respectively	9	-
Additional paid-in capital	314,389	-
Retained deficit	(241,364)	-
Accumulated other comprehensive income:		
Foreign currency translation adjustments	33,961	24,660
Total divisional equity	-	291,914
Total stockholders' equity	106,995	316,574
	$268,715	$467,104

See accompanying notes to consolidated condensed financial statements.

HUDSON HIGHLAND GROUP, INC.
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	Nine Months Ended September 30,	
	2003	2002
Cash flows from operating activities:		
Net loss	$(285,375)	$(367,430)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	15,556	14,738
Provision for doubtful accounts	14,923	1,259
Net loss on disposal of assets	2,063	5,957
Deferred income taxes	5,603	-
Goodwill impairment charge	202,785	-
Cumulative effect of accounting change	-	293,000
Changes in assets and liabilities:		
Decrease (increase) in accounts receivable	14,005	(26,082)
Payments received from Monster Worldwide, Inc.	6,017	-
Decrease in other assets	2,694	7,034
Increase (decrease) in accounts payable, accrued expenses and other liabilities	17,151	(31,706)
Decrease in accrued merger and integration expenses	(3,530)	(14,815)
(Decrease) increase in accrued business reorganization expenses	(14,267)	21,117
Total adjustments	263,000	270,502
Net cash used in operating activities	(22,375)	(96,928)
Cash flows from investing activities:		
Capital expenditures	(7,824)	(6,626)
Payments related to prior years' purchased businesses	(330)	(7,926)
Net cash used in investing activities	(8,154)	(14,552)
Cash flows from financing activities:		
Net payments on short and long-term debt	(1,373)	(47,540)
Issuance of common stock - Employee Stock Purchase Plan	737	-
Net cash transfers received from Monster Worldwide, Inc., prior to the Distribution	41,317	147,961
Net cash provided by financing activities	40,681	100,421
Effect of exchange rate changes on cash and cash equivalents	3,252	2,315
Net increase in cash and cash equivalents	13,404	(8,744)
Cash and cash equivalents, beginning of period	25,908	37,672
Cash and cash equivalents, end of period	$ 39,312	$ 28,928
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest	$ 2,268	$ 910

See accompanying notes to consolidated condensed financial statements.

NOTE 1 - INTERIM CONSOLIDATED CONDENSED QUARTERLY FINANCIAL STATEMENTS

These interim consolidated condensed quarterly financial statements have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission ("SEC") and should be read in conjunction with the combined audited financial statements and related notes of Hudson Highland Group, Inc. and subsidiaries (the "Company" or "HH Group") in its Registration Statement on Form 10 filed with the SEC on March 14, 2003 (the "Form 10"). The consolidated results for interim periods are not necessarily indicative of results for the full year or any subsequent period. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation of financial position, results of operations and cash flows at the dates and for the periods presented have been included.

NOTE 2 - REORGANIZATION, BASIS OF PRESENTATION AND DESCRIPTION OF BUSINESS

Reorganization

The accompanying consolidated condensed financial statements include the operations, assets and liabilities of Hudson Global Resources ("Hudson") and Highland Partners ("Highland"), formerly business segments of Monster Worldwide, Inc. ("Monster") (formerly TMP Worldwide Inc). In October 2002, Monster announced a plan to distribute to its stockholders the shares of HH Group, a wholly owned subsidiary of Monster (the "Distribution"). Immediately prior to the Distribution, Monster transferred substantially all the assets and liabilities of its Hudson and Highland business segments to HH Group. These assets and liabilities are reflected in HH Group's financial statements at Monster's historical cost. On March 31, 2003 (the "Distribution Date"), Monster distributed to all of its stockholders of record one share of HH Group common stock for each thirteen and one-third shares of Monster common stock so held. The assets and liabilities of the Company consist primarily of businesses Monster acquired at various times in prior years.

Basis of Presentation

The consolidated condensed financial statements have been derived from the financial statements and accounting records of Monster for all periods through the Distribution Date, using the historical results of operations and historical basis of the assets and liabilities of the Company's business. In connection with the Distribution, the inter-company balances due to Monster were contributed by Monster to equity; accordingly, such balances are reflected as divisional equity for periods prior to March 31, 2003, at which time the amount was reclassified to common stock and additional paid-in capital. Earnings and losses are accumulated in retained earnings (deficit) starting April 1, 2003. The terms of the distribution agreement with Monster did not require repayment or distribution of any portion of the divisional equity back to Monster. The Company's costs and expenses in the accompanying consolidated condensed financial statements for periods prior to March 31, 2003 include allocations from Monster for executive, legal, accounting, treasury, real estate, information technology and other Monster corporate services and infrastructure costs because specific identification of the expenses is not practicable. The total corporate services allocation to the Company from Monster was $5,260 and $23,181 for the nine months ended September 30, 2003 and 2002, respectively, including $0 and $8,776 for the quarters ended September 30, 2003 and 2002, respectively. The expense allocations were determined on the basis that Monster and the Company considered to be reasonable reflections of the utilization of services provided or the benefit received by the Company using ratios that are primarily based on the Company's revenue, net of direct costs of temporary contractors, compared to Monster as a whole. Certain merger and integration costs and business reorganization costs were also allocated to the Company from Monster and totaled $4,935 for the nine months ended September 30, 2002 and are included in corporate expenses. The financial information included herein prior to March 31, 2003 may not necessarily reflect the financial position and results of operations of HH Group in the future or what these amounts would have been had it been a separate, stand-alone entity during the periods presented prior to the Distribution. However, management believes that if the Company had been a stand-alone entity during the periods presented, the expenses would not have been materially different from the allocations presented.

NOTE 2 - REORGANIZATION, BASIS OF PRESENTATION AND DESCRIPTION OF BUSINESS (Continued)

Loss Per Share

To determine the shares outstanding for the Company for the period prior to the Distribution, Monster's weighted average number of shares is multiplied by the distribution ratio of one share of HH Group common stock for every thirteen and one-third shares of Monster common stock. Basic loss per share is computed by dividing the Company's losses by the weighted average number of shares outstanding during the period. When the effects are not anti-dilutive, diluted loss per share is computed by dividing the Company's net losses by the weighted average number of shares outstanding and the impact of all dilutive potential common shares, primarily stock options. The dilutive impact of stock options is determined by applying the "treasury stock" method. For all periods presented, dilutive earnings per share calculations do not differ from basic earnings per share because the effects of any potential common stock were anti-dilutive and therefore not included in the calculation of dilutive earnings per share.

Earnings per share calculations for each quarter include the weighted average effect for the quarter; therefore, the sum of quarterly earnings per share amounts may not equal year-to-date earnings per share amounts, which reflect the weighted average effect on a year-to-date basis.

Business Segments

The Company is one of the world's largest specialized staffing and executive search firms. The Company provides professional staffing services on a permanent, contract and temporary basis, as well as executive search and career management services to clients operating in a wide range of businesses. The Company focuses on mid-level executives having specialized professional qualifications, or recruited by clients in specialized sectors.

The Company is organized into two divisions, Hudson Global Resources and Highland Partners.

Hudson Global Resources. Hudson primarily focuses on providing professional temporary and contract personnel and business solutions to its clients and mid-level executive recruitment or placement services. Mid-level executives and professionals are those who typically earn between $50,000 and $150,000 annually, and possess the set of executive or professional skills and/or profile required by its clients. In the case of the temporary and contracting business, Hudson primarily focuses on the placement of professionals or executives in temporary assignments that can range from one day to more than 12 months. Hudson's sales strategy focuses on clients operating in particular sectors, such as health care, financial services, and technology and communications. Hudson supplies candidates in a variety of specialist fields such as law, accounting, banking and finance, health care, engineering, human resources, sales and marketing, technology and science. Hudson uses both traditional and interactive methods to find and recruit potential candidates for its clients, employing a suite of products that assess talent and help predict whether a candidate will be successful in a given role.

Hudson also provides a variety of other services, including career management, executive assessment and coaching, and human resources consulting. These service offerings are growing at a higher rate than the recruitment and placement businesses and the Company's management believes this will help balance the cyclical nature of its core offerings.

These services allow Hudson to offer clients a comprehensive set of human capital management services, ranging from temporary workers, to assessment or coaching of permanent staff, to recruitment or search for permanent workers, to outplacement. These services are marketed under the name Hudson Human Resource Consulting in certain markets around the world.

Highland Partners. Highland offers a comprehensive range of executive search services aimed at recruiting senior level executives or professionals for a wide range of clients operating in sectors such as health care, technology, financial services, retail and consumer, and industrial. Highland also has an active practice in recruiting individuals to serve on boards of directors. Highland concentrates on searches for positions with annual compensation of $150,000 or more and operates exclusively on a retained basis.

Corporate expenses are reported separately from the two operating segments and consist primarily of compensation, marketing and lease expense, and professional fees.

Reclassifications

In the current financial statement presentation, changes have been made from presentations in prior SEC filings and new account descriptions are being used. Certain prior period amounts have been reclassified to conform to the Company's 2003 financial statement presentation; these reclassifications do not change total revenues, total expenses, net loss, total assets, total liabilities or stockholders' equity.

NOTE 3 - STOCK BASED COMPENSATION

The Company accounts for employee stock-based compensation in accordance with APB No. 25. Under APB No. 25, no compensation expense is recognized in connection with the awarding of stock option grants to employees provided that, as of the grant date, all terms associated with the award are fixed and the quoted market price of the stock is equal to or less than the amount an employee must pay to acquire the stock. Because the Company issues only fixed term stock option grants at or above the quoted market price on the date of the grant, there is no related compensation expense recognized in the accompanying financial statements. The Company adopted the disclosure only provisions of SFAS 123 and SFAS 148, which require certain financial statement disclosures, including pro forma operating results as if the Company had prepared its consolidated financial statements in accordance with the fair value based method of accounting for stock-based compensation.

The Black-Scholes option-pricing model was developed for use in estimating the fair value of traded options that have no restrictions and are fully transferable and negotiable in a free trading market. Black-Scholes does not consider the employment, transfer or vesting restrictions that are inherent in the Company's employee options. Use of an option valuation model, as required by SFAS 123, includes highly subjective assumptions based on long-term predictions, including the expected stock price volatility and average life of each option grant. Because the Company's employee options have characteristics significantly different from those of freely traded options, and because changes in the subjective input assumptions can materially affect the Company's estimate of the fair value of those options, in the Company's opinion the existing valuation models, including Black-Scholes, are not reliable single measures and may misstate the fair value of the Company's employee options.

As required under SFAS 123 and SFAS 148, the pro forma effects of stock-based compensation on the Company's operating results and per share data have been estimated at the date of grant using the Black-Scholes option-pricing model based on the following weighted average assumptions:

	Nine Months Ended September 30,	
	2003	2002
Risk fee interest rate	4.0%	4.2%
Volatility	65.0%	73.5%
Expected life (years)	5.0	7.5
Dividends	0.0%	0.0%
Weighted average fair value of options granted during the period	$8.07	$13.02

For purposes of pro forma disclosures, the options' estimated fair value is assumed to be amortized to expense over the options' vesting periods. The pro forma effects of stock-based compensation expense for the quarter and nine-month periods ended September 30, 2002 and for the first quarter of 2003, are related entirely to options in Monster stock granted to employees of Monster prior to March 31, 2003 who transferred to the Company at the time of the Distribution. As a result of the Company's inability to recognize current tax benefits on reported net losses, total stock-based compensation expense is shown without tax benefits for all periods presented. The pro forma effects of recognizing compensation expense under the fair value method on the Company's operating results and per share data are as follows:

	Quarter Ended September 30,		Nine Months Ended September 30,	
	2003	2002	2003	2002
Reported net loss	$(226,274)	$(5,472)	$(285,375)	$(367,430)
Add: Total stock-based employee compensation expense determined under fair value based method for all awards	(978)	(12,169)	(2,150)	(36,507)
Pro forma net loss	$(227,252)	$(17,641)	$(287,525)	$(403,937)
Basic and diluted earnings per share:				
As reported net loss	$(26.73)	$(0.65)	$(33.78)	$(43.99)
Pro forma net loss	$(26.84)	$(2.11)	$(34.03)	$(48.36)

NOTE 4 - RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In July 2002, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 146, Accounting for Costs Associated with Exit or Disposal Activities ("SFAS 146"). SFAS 146 applies to costs associated with an exit (including restructuring) or disposal activity. Those activities can include eliminating or reducing product lines, terminating employees and contracts, and relocating plant facilities or personnel. Under SFAS 146, a company records a liability for a cost associated with an exit or disposal activity when that liability is incurred and can be measured at fair value. SFAS 146 requires a company to disclose information about its exit and disposal activities, the related costs and changes in those costs in the notes to the interim and annual financial statements that include the period in which an exit activity is initiated and in any subsequent period until the activity is completed. SFAS 146 is effective prospectively for exit or disposal activities initiated after December 31, 2002. Under SFAS 146, a company may not restate its previously issued financial statements. Liabilities recognized as a result of disposal activities prior to the adoption of SFAS 146 continue to be accounted for under Emerging Issues Task Force ("EITF") Issue No. 94-3, Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring) ("EITF 94-3"). The Company's adoption of SFAS 146 on January 1, 2003, did not have a material impact on the Company's financial position or results of operations.

In December 2002, the FASB issued SFAS No. 148, Accounting for Stock-Based Compensation--Transition and Disclosure ("SFAS 148"), an amendment of SFAS No. 123, Accounting for Stock-Based Compensation ("SFAS 123"), which provides alternatives for companies electing to account for stock-based compensation using the fair value criteria established by SFAS 123. The Company intends to account for stock-based compensation under the provisions of Accounting Principles Board Opinion No. 25 ("APB No. 25").

In November 2002, the FASB issued FASB Interpretation No. 45, Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Guarantees of the Indebtedness of Others, which addresses the accounting for and disclosure of guarantees. Interpretation No. 45 requires a guarantor to recognize a liability for the fair value of a guarantee at inception. The recognition of the liability is required even if it is not probable that payments will be required under the guarantee. The disclosure requirements are effective for interim and annual financial statements ending after December 15, 2002. The initial recognition and measurement provisions are effective on a prospective basis for guarantees issued or modified after December 31, 2002. The Company's adoption of Interpretation No. 45 did not have a material effect on the Company's consolidated financial statements.

In January 2003, the FASB issued FASB Interpretation No. 46, Consolidation of Variable Interest Entities. The objective of this interpretation is to provide guidance on how to identify a variable interest entity ("VIE") and determine when the assets, liabilities, noncontrolling interests, and results of operations of a VIE need to be included in a company's consolidated financial statements. A company that holds variable interests in an entity will need to consolidate the entity if the company's interest in the VIE is such that the company will absorb a majority of the VIE's expected losses and/or receive a majority of the entity's expected residual returns, if they occur. Interpretation No. 46 also requires additional disclosures by primary beneficiaries and other significant variable interest holders. The interpretation became effective upon issuance. The Company's adoption of this interpretation did not have an effect on its consolidated financial statements.

On May 1, 2003, the FASB issued SFAS No. 149, Amendment of Statement 133 on Derivative Instruments and Hedging Activities ("SFAS 149"). SFAS 149 amends and clarifies accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under Statement 133. SFAS 149 is effective for contracts entered into or modified after June 30, 2003. The Company's adoption of SFAS 149 should not have an effect on its consolidated financial statements.

On May 15, 2003, the FASB issued SFAS No. 150, Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity ("SFAS 150"). SFAS 150 changes the accounting for certain financial instruments that, under previous guidance, could be classified as equity or "mezzanine" equity, by now requiring those instruments to be classified as liabilities (or assets in some circumstances) in the statement of financial position. Further, SFAS 150 requires disclosure regarding the terms of those instruments and settlement alternatives. SFAS 150 affects an entity's classification of the following freestanding instruments; mandatorily redeemable instruments, financial instruments to repurchase an entity's own equity instruments and financial instruments embodying obligations that the issuer must or could choose to settle by issuing a variable number of its shares or other equity instruments based solely on (a) a fixed monetary amount known at inception or (b) something other than changes in its own equity instruments. SFAS 150 is effective for periods beginning after June 15, 2003. The Company's adoption of this interpretation did not have an effect on its consolidated financial statements.

NOTE 5 - REVENUES, DIRECT COSTS AND GROSS MARGIN

Details of the Company's revenues and direct costs, classified by temporary and permanent placement business, are as follows:

	Quarter Ended September 30, 2003			Quarter Ended September 30, 2002		
	Temporary	Permanent	Total	Temporary	Permanent	Total
Revenue	$196,790	$ 75,391	$272,181	$199,117	$ 71,593	$270,710
Direct costs (1)	164,364	9,595	173,959	160,802	5,356	166,158
Gross margin	$ 32,426	$ 65,796	$ 98,222	$ 38,315	$ 66,237	$104,552

	Nine Months Ended September 30, 2003			Nine Months Ended September 30, 2002		
	Temporary	Permanent	Total	Temporary	Permanent	Total
Revenue	$571,499	$229,154	$800,653	$589,087	$223,490	$812,577
Direct costs (1)	473,686	27,495	501,181	473,290	11,462	484,752
Gross margin	$ 97,813	$201,659	$299,472	$115,797	$212,028	$327,825

(1) Direct costs include the direct staffing costs of salaries, payroll taxes, employee benefits, travel expenses and insurance costs for the Company's temporary contractors and reimbursed out-of-pocket expense and other direct costs. Other than reimbursed out-of-pocket expenses, there are no other direct costs associated with the search and permanent placement revenues. The salaries, commissions, payroll taxes and employee benefits related to recruitment professionals are included in selling, general and administrative expenses.

NOTE 6 - INTANGIBLE ASSETS, NET

As of September 30, 2003 and December 31, 2002, the Company's intangible assets consisted of the following:

	September 30, 2003		December 31, 2002	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Goodwill	$ -	$ -	$200,760	$ -
Amortizable intangible assets:				
Client lists and other amortizable intangibles	3,540	(1,971)	3,243	(2,066)
Total intangible assets	$ 3,540	$ (1,971)	$204,003	$ (2,066)

Intangibles represent acquisition costs in excess of the fair value of net tangible assets of businesses purchased and consist primarily of the value of client lists, non-compete agreements, trademarks and goodwill. The Company amortizes these intangibles, other than goodwill, over periods ranging from two to thirty years. In accordance with SFAS No. 142, Goodwill and Other Intangible Assets ("SFAS 142"), the Company no longer amortizes goodwill but instead evaluates its goodwill annually for impairment, or earlier if indicators of potential impairment exist.

In the third quarter of 2003, the Company determined that goodwill should be tested for impairment due to current business conditions and changes in circumstances resulting from the Distribution, which established the Company as an independent entity with a separate market capitalization. As a result of this test and the related fair value examination, the Company recorded a non-cash goodwill impairment charge of $202,785. The impairment valuation was based upon a discounted cash flow approach that used estimated future revenues and costs for each business segment as well as appropriate discount rates. The estimates that were used are consistent with the plans and estimates the Company is using to manage the underlying business. The goodwill impairment charge wrote-off all goodwill related to both of the Company's business segments. As a result of the adoption of SFAS 142 on January 1, 2002, the Company recorded a non-cash impairment charge of $293,000 to reduce the carrying value of goodwill. Intangible asset amortization expense for the nine months ended September 30, 2003 and 2002 was $621 and $579, respectively.

NOTE 7 - TAXES

The provision for income taxes for the nine months ended September 30, 2003 was $5,917 on a pretax loss of $279,458, compared with a benefit of $1,827 on a pretax loss of $76,257 for the same period of 2002. The Company's effective tax rate for the nine months ended September 30, 2003 and 2002 differs significantly from the U.S. Federal statutory rate of 35% as a result of the inability of the Company to recognize benefits from its current losses related to the goodwill impairment charge and current losses from its businesses where the possible future ability to utilize its loss carryforwards is uncertain, as well as valuation allowances on previously established deferred tax assets, net operating losses retained or utilized by Monster, certain non-deductible expenses such as amortization, business restructuring and spin-off costs, merger costs from pooling of interests transactions, and variations from the U.S. tax rate in foreign jurisdictions.

NOTE 8 - BUSINESS COMBINATIONS

Accrued Merger and Integration Expenses

Pursuant to the conclusions stated in EITF 94-3 and EITF Issue No. 95-3, Recognition of Liabilities in Connection with a Purchase Business Combination, and in connection with the acquisitions and mergers made in 2001 and 2000, the Company formulated plans to integrate the operations of such companies. Such plans involve the closure of certain offices of the acquired and merged companies and the termination of certain management and employees. The objectives of the plans are to eliminate redundant facilities and personnel and to create a single brand in the related markets in which the Company operates.

In connection with plans relating to pooled entities, the Company expensed $876 and $6,056 in the first nine months of 2003 and 2002, respectively, relating to integration activities included as a component of merger and integration expenses. Amounts recorded relating to business combinations accounted for as purchases were charged to goodwill. The $876 expenses for the first nine months were almost entirely related to lease obligations on closed facilities. A summary of activity of the accrued merger and integration expenses for the nine months ended September 30, 2003 is outlined as follows:

	Balance December 31, 2002	Changes in Estimate	Utilization	Balance September 30, 2003
Assumed lease obligations on closed facilities	$7,292	$906	$(3,561)	$4,637
Consolidation of acquired facilities	1,607	(30)	(970)	607
Severance, relocation and other employee costs	36	-	(36)	-
Total	$8,935	$876	$(4,567)	$5,244

The following table presents a summary of activity relating to the Company's integration and restructuring plans for acquisitions made in prior years. Amounts reflected in the "Changes in Estimate" column represent modifications to plans subsequent to finalization and have been expensed in the current period. Cash payments and associated write-offs relating to the plans are reflected in the "Utilization" caption of the following table. Details of the exit plan activity for the nine months ended September 30, 2003 are as follows:

	Balance December 31, 2002	Changes in Estimate	Utilization	Balance September 30, 2003
2000 Plans	$2,388	$ (6)	$ (481)	$1,901
2001 Plans	3,291	808	(2,673)	1,426
2002 Plans	3,256	74	(1,413)	1,917
Total	$8,935	$ 876	$(4,567)	$5,244

NOTE 9 - BUSINESS REORGANIZATION EXPENSES

In the second quarter of 2002, the Company announced a reorganization initiative to further streamline its operations, lower its cost structure, integrate businesses previously acquired and improve its return on capital. This reorganization program includes a workforce reduction, consolidation of excess facilities, restructuring of certain business functions and other special charges, primarily for exiting activities that are no longer part of the Company's strategic plan.

In the fourth quarter of 2002, the Company announced further reorganization efforts related to its separation from Monster and the streamlining of operations, which continued through the first nine months of 2003. The charge consisted primarily of workforce reduction, office consolidation costs and related write-offs, professional fees and other special charges.

A summary of activity of the business reorganization expenses for the nine months ended September 30, 2003 is outlined as follows:

	Balance December 31, 2002	Additions	Changes in Estimate	Utilization	Balance September 30, 2003
Workforce reductions	$ 8,375	$2,343	$ (901)	$ (8,675)	$ 1,142
Consolidation of excess facilities	15,048	5,815	(1,420)	(9,118)	10,325
Professional fees and other	2,422	1,287	(569)	(1,855)	1,285
Total	$25,845	$9,445	$(2,890)	$(19,648)	$12,752

The following table presents a summary of plan activity related to business reorganization costs for the nine months ended September 30, 2003. Amounts in the "Additions" column of the following table represent amounts charged to business reorganization expense in the Company's statement of operations for the nine months ended September 30, 2003. The expenses were primarily related to consolidation of facilities, workforce reductions and professional fees related to the Distribution. Costs under these plans are charged to expense as estimates are finalized and events become accruable. Amounts reflected in the "Changes in Estimate" column represent modifications to previously accrued amounts that were initially established under each plan. Cash payments and associated write-offs relating to the plans are reflected in the "Utilization" caption of the following table.

	Balance December 31, 2002	Additions	Changes in Estimate	Utilization	Balance September 30, 2003
Second Quarter 2002 Plan	$14,908	$1,073	$(1,829)	$ (9,572)	$ 4,580
Fourth Quarter 2002 Plan	10,937	8,372	(1,061)	(10,076)	8,172
Total	$25,845	$9,445	$(2,890)	$(19,648)	$12,752

NOTE 10 - COMPREHENSIVE INCOME

	Quarter Ended September 30,		Nine Months Ended September 30,	
	2003	2002	2003	2002
Net loss	$(226,274)	$(5,472)	$(285,375)	$(367,430)
Other comprehensive income - translation adjustments	696	(3,000)	9,301	26,809
Total comprehensive loss	$(225,578)	$(8,472)	$(276,074)	$(340,621)

NOTE 11 - RELATED PARTY TRANSACTIONS

In connection with the Distribution, Monster and HH Group entered into the following agreements:

Distribution Agreement and Employee Benefits Plans

The Company entered into a distribution agreement with Monster effective as of the Distribution Date, pursuant to which the Company, among other things, agreed to maintain independent employee benefit plans and programs (other than equity compensation) that are substantially similar to Monster's existing employee benefit plans and programs. Following the Distribution, Monster generally ceased to have any liability to the Company's current and former employees and their beneficiaries including liability under any of Monster's benefit plans or programs. Employees of the Company who held vested Monster options at the Distribution Date retained those options for Monster common stock, with no further vesting, until the options are exercised or expire, or until they choose to leave or are terminated by the Company.

Real Estate Agreements

Monster and the Company entered into various lease and sublease arrangements for the sharing of certain facilities for a transitional period on commercial terms. In the case of subleases or sub-subleases of property, the lease terms and conditions generally coincide with the remaining terms and conditions of the primary lease or sublease, respectively.

Transition Services Agreement

The Company entered into a transition services agreement with Monster effective as of the Distribution Date. Under the agreement, Monster provides to the Company, and the Company provides to Monster, certain insurance, tax, legal, facilities, human resources, information technology and other services that are required for a limited time (generally for one year following the Distribution Date, except as otherwise agreed).

Under the transition services agreement, the Company and Monster provide or arrange to provide services to each other in exchange for fees, which the Company believes are similar in material respects to what a third-party provider would charge. Fees for transition services are based on two billing methods, "agreed billing" and "pass-through billing." Under the agreed billing method, Monster provides or arranges to provide the Company or the Company provides or arranges to provide Monster, with services at the specified cost of providing the services, plus, in the cases of some services, 5% of these costs, in any case subject to increase by the party providing the relevant service, in the exercise of its reasonable judgment, after the distribution. Under the pass-through billing method, the Company and Monster reimburse each other for all third party expenses, out-of-pocket costs and other expenses incurred in providing or arranging to provide the relevant service.

The Company and Monster generally invoice each other monthly for the cost of services provided under the transition services agreement. If either party fails to pay an invoice by its due date, it is obligated to pay interest to the invoicing party at the prime rate as reported in The Wall Street Journal.

Tax Separation Agreement

After the Distribution Date, the Company is no longer included in Monster's consolidated group for United States federal income tax purposes. The Company and Monster entered into a tax separation agreement to reflect the Company's separation from Monster with respect to tax matters. The primary purpose of the agreement is to reflect each party's rights and obligations relating to payments and refunds of taxes that are attributable to periods beginning before and including the date of the distribution and any taxes resulting from transactions effected in connection with the distribution.

The tax separation agreement provides for payments between the two companies to reflect tax liabilities, which may arise before and after the distribution. It also covers the handling of audits, settlements, elections, accounting methods and return filing in cases where both companies have an interest in the results of these activities.

The Company has agreed to indemnify Monster for any tax liability attributable to the distribution resulting from any action taken by the Company.

NOTE 11 - RELATED PARTY TRANSACTIONS (continued)

Monster Funding of HH Group Obligations

Monster has agreed to reimburse the Company for $13,530 of cash payments related to the Company's accrued integration, restructuring and business reorganization obligations and other expenses during the first year following the spin-off. The Company received payments of $3,908 and $2,109 during the third and second quarters of 2003, respectively, and will receive payments of $2,500 from Monster in the first month subsequent to the end of each quarter through the second quarter of 2004. Legal obligation for settlement of such liabilities will remain with the Company.

Other Commercial Arrangements

The Company and Monster have entered into a three-year commercial contract involving the utilization of Monster.com services for targeting, sourcing, screening and tracking prospective job candidates around the world. The Company and Monster may from time to time also negotiate and purchase further services from the other, pursuant to customary terms and conditions. There is no contractual commitment that requires the Company to use Monster services in preference to other service providers.

Non-Cash Transfers

Monster transferred to the Company non-cash assets and liabilities in 2003 as a result of the Distribution. The approximate transfers by account were: due from Monster Worldwide, Inc. $13,530, property and equipment $7,600, intangibles $1,500, accrued expenses and other current liabilities $2,900, and other liabilities $600.

NOTE 12 - COMMITMENTS AND CONTINGENCIES

Risks and Uncertainties

The Company has a history of operating losses and has only operated as an independent company since the Distribution Date. Prior to the Distribution Date, the Company's operations were historically financed by Monster as separate segments of Monster's broader corporate organization rather than as a separate stand-alone company. Monster assisted the Company by providing financing, particularly for acquisitions, as well as providing corporate functions such as identifying and negotiating acquisitions, legal and tax functions. Following the Distribution, Monster has no obligation to provide assistance to the Company other than the interim and transitional services, that will be provided by Monster pursuant to the transition services agreement described in Note 11. Because the Company's businesses have operated as an independent company only since the Distribution Date, the Company cannot provide assurance that it will be able to successfully implement the changes necessary to operate as a profitable stand-alone business, or to secure additional debt or equity financing on terms that are acceptable to the Company.

NOTE 13 - CREDIT FACILITY

The Company has a senior secured credit facility for $30,000 with Wells Fargo Foothill, Inc. (the "Foothill Credit Facility"). The Foothill Credit Facility has a term of three years, beginning March 31, 2003. Outstanding loans will bear interest equal to the prime rate plus 0.25% or LIBOR plus 2.00%, at the Company's option. The Foothill Credit Facility is secured by substantially all of the assets of the Company and extensions of credit will be based on a percentage of the accounts receivable of the Company. The Company expects to use such credit, if and when required, to support its ongoing working capital requirements, capital expenditures and other corporate purposes and to issue letters of credit. As of September 30, 2003, the Company has not borrowed any amounts under this credit facility, but has had letters of credit issued in an outstanding amount of $1,843. On September 30, 2003, the Company entered into an amendment to the original credit agreement that modified covenants and borrowing capacity. The original agreement was for a credit facility of $50,000, which has since been temporarily reduced to $30,000 until Wells Fargo Foothill has arranged a syndication for the additional $20,000.

NOTE 14 - SEGMENT AND GEOGRAPHIC DATA

The Company operates in two business segments: Hudson and Highland. The Company conducts operations in the following geographic regions: North America, the Asia/Pacific Region (primarily Australia), the United Kingdom and Continental Europe.

Segment information is presented in accordance with SFAS No. 131, Disclosures about Segments of an Enterprise and Related Information. This standard is based on a management approach that requires segmentation based upon the Company's internal organization and disclosure of revenue and operating income based upon internal accounting methods. The Company's financial reporting systems present various data for management to run the business, including internal profit and loss statements prepared on a basis not consistent with generally accepted accounting principles. Accounts receivable, net and long-lived assets (Property and equipment, net and Intangibles, net) are as of the end of the period and separated by segment, but other assets are not allocated to segments for internal reporting purposes.

Information by business segment	Quarter Ended September 30,		Nine Months Ended September 30,	
	2003	2002	2003	2002
Revenue				
Hudson	$256,516	$254,672	$753,091	$760,403
Highland	15,665	16,038	47,562	52,174
	$272,181	$270,710	$800,653	$812,577
Goodwill impairment				
Hudson	$195,404	$ -	$195,404	$ -
Highland	7,381	-	7,381	-
	$202,785	$ -	$202,785	$ -
Operating (loss) income				
Hudson	$(204,195)	$ 1,360	$ (231,018)	$ (37,534)
Highland	(13,235)	2,478	(24,491)	(10,326)
	(217,430)	3,838	(255,509)	(47,860)
Corporate expenses	(8,195)	(9,372)	(22,643)	(28,116)
Interest and other income (expense), net	(870)	128	(1,306)	(281)
Loss before provision for (benefit of) income taxes and accounting change	$(226,495)	$(5,406)	$(279,458)	$(76,257)
Accounts receivable, net				
Hudson			$130,853	$176,153
Highland			10,123	13,950
			$140,976	$190,103
Long-lived assets				
Hudson			$30,086	$202,346
Highland			4,665	14,535
Corporate			6,461	820
			$41,212	$217,701

Information by geographic region	United States	Australia	United Kingdom	Continental Europe	Other(a)	Total
For the Quarter Ended September 30, 2003						
Revenue	$72,869	$84,597	$71,324	$22,804	$20,587	$272,181
Long-lived assets	$18,918	$8,030	$6,906	$4,475	$2,883	$41,212
For the Quarter Ended September 30, 2002						
Revenue	$92,676	$75,071	$63,463	$22,691	$16,809	$270,710
Long-lived assets	$80,194	$11,000	$61,181	$49,771	$15,555	$217,701
For the nine months ended September 30, 2003						
Revenue	$239,852	$225,217	$205,316	$72,219	$58,049	$800,653
For the nine months ended September 30, 2002						
Revenue	$274,392	$212,145	$196,543	$71,701	$57,796	$812,577

(a) Includes the Americas other than the United States and Asia Pacific other than Australia.

NOTE 15 - STOCK COMPENSATION PLANS

The Company maintains the Hudson Highland Group, Inc. Long Term Incentive Plan (the "LTIP") pursuant to which it granted 734,356 stock options to purchase shares of the Company's common stock to certain key employees in the second and third quarters of 2003. Options canceled as of September 30, 2003 total 16,336. Options outstanding have an average weighted exercise price of $13.99 and have vesting periods over the next four years. Options exercisable within one year from September 30, 2003 totaled 298,260. No options related to the common stock of Monster were converted at the Distribution into options to purchase the Company's stock.

The Company also granted 100,000 options to purchase shares of the Company's common stock under the LTIP to four non-employee members of the Board of Directors in the second quarter of 2003. These options had an average weighted exercise price of $13.66 and had an immediate vesting of 40% of the options granted with the remaining options vesting over the next three years. All options granted were outstanding as of September 30, 2003. Options exercisable within one year from September 30, 2003 totaled 60,000.

The Company also granted 65,375 shares of restricted stock under the LTIP to certain key employees during the second quarter of 2003. Restricted stock vests over a three-year period from the date of grant. Restricted stock of 32,688 shares will vest within one year. Amortization expense for restricted stock for the three and nine-month periods ended September 30, 2003 were $163 and $293, respectively.

The Company maintains the Hudson Highland Group, Inc. Employee Stock Purchase Plan (the "ESPP"), pursuant to which eligible employees may purchase shares of the Company's common stock at the lesser of 85% of the fair market value at the commencement of each plan purchase period or 85% of the fair market value as of the purchase date. ESPP purchase dates for 2003 are August 31 and December 31. This is a non-compensatory plan and no expenses were recorded for the ESPP. The Company issued 65,354 shares of common stock pursuant to the ESPP in the third quarter of 2003 at an average price of $11.28 per share.

The Company maintains the Hudson Highland Group, Inc. 401(k) Savings Plan (the "401(k)"). The 401(k) plan allows eligible employees to contribute up to 15% of their earnings to the 401(k) plan. The Company matches contributions up to 2% through a contribution of the Company's common stock. Vesting in the Company's contribution is over a five-year period. Expense for the nine-month period ended September 30, 2003 for the 401(k) plan was $711.

Report of Independent Certified Public Accountants

Board of Directors
Hudson Highland Group, Inc.
New York, New York

We have reviewed the consolidated condensed balance sheet of Hudson Highland Group, Inc. and subsidiaries as of September 30, 2003, the related consolidated condensed statements of operations for the three-month and nine-month periods ended September 30, 2003 and 2002 and cash flows for the nine-month periods ended September 30, 2003 and 2002 included in the accompanying Securities and Exchange Commission Form 10-Q for the period ended September 30, 2003. These financial statements are the responsibility of the Company's management.

We conducted our review in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data, and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the condensed consolidated financial statements referred to above for them to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with auditing standards generally accepted in the United States of America, the combined balance sheet as of December 31, 2002, and the related combined statements of operations, divisional equity, and cash flows for the year then ended (not presented herein); and in our report dated February 12, 2003, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying combined balance sheet as of December 31, 2002 is fairly stated in all material respects in relation to the combined balance sheet from which it has been derived.

/s/ BDO Seidman, LLP

BDO Seidman, LLP

New York, New York
October 28, 2003

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (in thousands, except per share data)

The following discussion should be read in conjunction with the consolidated condensed financial statements and the notes thereto, included in Item 1 of this Form 10-Q. This Management's Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements. Please see "Special Note Regarding Forward-Looking Statements" for a discussion of the uncertainties, risks and assumptions associated with these statements

As one of the world's largest professional staffing and executive search agencies, Hudson Highland Group, Inc. ("the Company" or "HH Group") helps its clients (employers and professional recruiters) find the right employee, from mid-level candidates to senior executives. HH Group was formed from the distribution of the Hudson Global Resources ("Hudson") and Highland Partners ("Highland") divisions of Monster Worldwide, Inc., formerly known as TMP Worldwide Inc. ("Monster"), and currently operates in 24 countries and employs approximately 4,000 people globally. For the nine-month period ended September 30, 2003, 70% of the Company's revenues were earned outside of the United States. The Company's two principal business segments are as follows:

Hudson Global Resources. Hudson primarily focuses on providing professional temporary and contract personnel and business solutions to its clients and mid-level executive recruitment or placement services. Mid-level executives and professionals are those who typically earn between $50,000 and $150,000 annually, and possess the set of executive or professional skills and/or profile required by its clients. In the case of the temporary and contracting business, Hudson primarily focuses on the placement of professionals or executives in temporary assignments that can range from one day to more than 12 months. Hudson's sales strategy focuses on clients operating in particular sectors, such as health care, financial services, and technology and communications. Hudson supplies candidates in a variety of specialist fields such as law, accounting, banking and finance, health care, engineering, technology and science. Hudson uses both traditional and interactive methods to find and recruit potential candidates for its clients, employing a suite of products, which assess talent and help predict whether a candidate will be successful in a given role.

Hudson also provides a variety of other services, including career management, executive assessment and coaching, and human resources consulting. The Company's management believes these service offerings, which are growing at a greater rate than other services, will help balance the cyclical nature of its core offerings.

These services allow Hudson to offer clients a comprehensive set of human capital management services, ranging from temporary workers, to assessment or coaching of permanent staff, to recruitment or search for permanent workers, to outplacement. These services are marketed under the name Hudson Human Resource Consulting in certain markets around the world.

Highland Partners. Highland offers a comprehensive range of executive search services aimed at finding the senior level executive or professional for a wide range of clients operating in sectors such as health care, technology, financial services, retail and consumer, and industrial. Highland also has an active practice in assisting clients who desire to augment their boards of directors. Highland concentrates on searches for positions with annual compensation of $150,000 or more and operates exclusively on a retained basis.

For the periods presented in this Form 10-Q through March 31, 2003 (the "Distribution Date"), HH Group operated as part of Monster. Prior to the Distribution Date, the businesses described in this Form 10-Q were conducted by Monster through various divisions and subsidiaries. Immediately prior to the Distribution (as defined below), Monster transferred the assets and liabilities of its Hudson and Highland business segments to HH Group at Monster's historical cost. On the Distribution Date, Monster distributed to all of its stockholders of record one share of HH Group Common Stock for each thirteen and one-third shares of Monster Common Stock so held (the "Distribution"). Following the Distribution, HH Group became an independent public company and Monster has no continuing stock ownership interest in HH Group. Prior to the Distribution, HH Group entered into several agreements with Monster in connection with, among other things, employee matters, income taxes, leased real property and transitional services. See Note 11 of the Notes to Consolidated Condensed Financial Statements for a description of the agreements.

The Company's consolidated condensed financial statements prior to the Distribution reflect the historical financial position, results of operations and cash flows of the businesses transferred to HH Group from Monster as part of the Distribution. Additionally, net intercompany balances due to Monster have been contributed to HH Group and are reflected as divisional equity in the accompanying consolidated condensed financial statements. The financial information included herein, however, may not necessarily reflect HH Group's financial position, results of operations and cash flows in the future or what its financial position, results of operations and cash flows would have been had HH Group been a stand-alone company during the periods presented prior to the Distribution.

The Company's costs and expenses prior to March 31, 2003 in the accompanying consolidated condensed financial statements include allocations from Monster for executive, legal, accounting, treasury, real estate, information technology, merger and integration costs and other Monster corporate services and infrastructure costs because specific identification of the expenses is not practicable. The total corporate services allocation to the Company from Monster was $5,260 and $23,181 for the nine months ended September 30, 2003 and 2002, respectively, including $0 and $8,776 for the quarter ended September 30, 2003 and 2002, respectively. The expense allocations were determined on the basis that Monster and HH Group considered to be reasonable reflections of the utilization of services provided or the benefit received by HH Group using ratios that are primarily based on its revenue, net of costs of temporary contractors compared to Monster as a whole. Interest charges from Monster were allocated to HH Group only for that portion of third-party debt attributed to HH Group.

The Company recorded merger, integration and reorganization and restructuring expense of $7,431 and $59,189 for the nine months ended September 30, 2003 and 2002, respectively. The merger and integration charges were recorded in connection with its pooling of interest transactions and consist of costs to integrate and/or exit certain aspects of the operations of its pooled entities, particularly in areas where duplicate functions and facilities existed. During the first nine months of 2003, the Company recorded $876 related to changes in estimates to plans in merger and integration expense. The expense related to the reorganization of operations announced in the second and fourth quarters of 2002 was $6,555 in the first nine months of 2003.

Prior to the Distribution, HH Group was not a separate taxable entity for federal, state or local income tax purposes and its operating results are included in Monster 's tax return. Income taxes were calculated as if HH Group filed separate tax returns. However, Monster was managing its tax position for the benefit of its entire portfolio of businesses, and its tax strategies are not necessarily reflective of the tax strategies that HH Group would have followed or will follow as a stand-alone company.

Critical Accounting Policies and Items Affecting Comparability

Quality financial reporting relies on consistent application of company accounting policies that are based on generally accepted accounting principles. Management considers the accounting policies discussed below to be critical to understand HH Group's financial statements and often require management judgment and estimates regarding matters that are inherently uncertain.

Revenue Recognition

Although the Company's revenue recognition policy involves a relatively low level of uncertainty, it does require judgment on complex matters that is subject to multiple sources of authoritative guidance.

Hudson. The Company recognizes revenue for services at the time services are provided and revenue is recorded on a time and materials basis. Temporary contracting revenues are reported gross when the Company acts as principal in the transaction and is at risk for collection. Revenues that do not meet the criteria for gross revenue reporting are reported on a net basis. Revenues generated when the Company permanently places an individual with a client are recorded at the time of placement, net of an allowance for estimated fee reversals.

Highland. Substantially all professional fee revenue is derived from fees for professional services related to executive recruitment, consulting and related services performed on a retained basis. Fee revenue is generally one-third of the estimated first year compensation and reimbursed expenses, plus a percentage of the fee to cover indirect expenses. Fee revenue is recognized as earned. The Company generally bills clients in three monthly installments. Fees earned in excess of the initial contract amount are billed at completion of the engagement. Reimbursed out-of-pocket expenses are included in revenue.

Direct Costs

Direct costs include the direct staffing costs of salaries, payroll taxes, employee benefits, travel expenses and insurance costs for the Company's temporary contractors and reimbursed out-of-pocket expense and other direct costs. Other than reimbursed out-of-pocket expenses, there are no other direct costs associated with the search and permanent placement revenues.

Selling, General and Administrative Expenses

Selling, general and administrative expenses include the salaries, commissions, payroll taxes and employee benefits related to recruitment professionals, executive level employees, administrative staff and other employees of HH Group who are not temporary contractors, and the expenses for marketing and promotion, occupancy, equipment leasing and maintenance, utilities, travel expenses, professional fees and depreciation and amortization.

Accounts Receivable

The Company is required to estimate the collectability of its trade receivables and notes receivable. A considerable amount of judgment is required in assessing the ultimate realization of these receivables including the current credit-worthiness of each customer. Changes in required reserves may occur due to changing circumstances, including changes in the current market environment or in the particular circumstances of individual customers.

Merger, Integration, Restructuring and Business Reorganization Plans

The Company has recorded significant charges and accruals in connection with its merger, integration, restructuring and business reorganization plans. These reserves include estimates pertaining to employee separation costs and the settlement of contractual obligations resulting from its actions. Although the Company does not anticipate significant changes, the actual costs may differ from these estimates.

Contingencies

The Company is subject to proceedings, lawsuits and other claims related to labor, service and other matters. The Company is required to assess the likelihood of any adverse judgments or outcomes to these matters as well as potential ranges of probable losses. The Company makes a determination of the amount of reserves required, if any, for these contingencies after careful analysis of each individual issue. The required reserves may change in the future due to new developments in each matter or changes in approach, such as a change in settlement strategy in dealing with these matters.

Intangibles

Intangibles represent acquisition costs in excess of the fair value of net tangible assets of businesses purchased and consist primarily of the value of client lists, non-compete agreements, trademarks and goodwill. The Company amortizes these intangibles, other than goodwill, over periods ranging from two to thirty years. In accordance with SFAS No. 142, Goodwill and Other Intangible Assets ("SFAS 142"), the Company no longer amortizes goodwill but instead will evaluate its goodwill annually for impairment, or earlier if indicators of potential impairment exist. Changes in the Company's strategy and market conditions could significantly impact these evaluations and require adjustments to recorded amounts of intangible assets.

In the third quarter of 2003, the Company recorded a non-cash goodwill impairment charge of $202,785. The impairment charge was recorded after the Company determined that the goodwill value was impaired based on a fair-value examination. The impairment valuation was based upon a discounted cash flow approach that used estimated future revenues and costs for each business segment as well as appropriate discount rates. The estimates that were used are consistent with the plans and estimates the Company is using to manage the underlying business. The goodwill impairment charge wrote-off all goodwill related to both of the Company's business segments. As a result of the adoption of SFAS 142 on January 1, 2002, the Company recorded a non-cash impairment charge of $293,000 to reduce the carrying value of goodwill. Intangible asset amortization expense for the nine months ended September 30, 2003 and 2002 was $621and $579, respectively.

Results of Operations

The following table sets forth the Company's revenue, operating loss, net loss, temporary contracting revenue, direct costs of temporary contracting and temporary contracting gross margin for the quarters and nine month periods ended September 30.

	Quarter Ended September 30,		Nine Months Ended September 30,	
	2003	2002	2003	2002
Revenue	$272,181	$270,710	$800,653	$812,577
Operating loss	$(225,625)	$(5,534)	$(278,152)	$(75,976)
Net loss	$(226,274)	$(5,472)	$(285,375)	$(367,430)
TEMPORARY CONTRACTING DATA (1):				
Temporary contracting revenue	$196,790	$199,117	$571,499	$589,087
Direct costs of temporary contracting	164,364	160,802	473,686	473,290
Temporary contracting gross margin	$ 32,426	$ 38,315	$ 97,813	$115,797
Gross margin as a percent of revenue	16.5%	19.2%	17.1%	19.7%

(1) Temporary contracting revenues are a component of Hudson revenues. Temporary contracting gross margin and gross margin as a percent of revenue are shown to provide additional information on the Company's ability to manage its cost structure and provide further comparability relative to HH Group's peers. Temporary contracting gross margin is derived by deducting the direct costs of temporary contracting from temporary contracting revenue. The Company's calculation of gross margin may differ from those of other companies.

Constant Currencies

The Company defines the term "constant currencies" 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. 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 currencies 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 not 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.

	Quarter Ended September 30,			
	2003			2002
	As reported	Currency Translation	Constant Currencies	As reported
Hudson revenue	$256,516	$(22,594)	$233,922	$254,672
Highland revenue	15,665	(624)	15,041	16,038
Total revenue	272,181	(23,218)	248,963	270,710
Direct costs	173,959	(14,351)	159,608	166,158
Gross margin	$ 98,222	$ (8,867)	$ 89,355	$104,552
Selling, general and administrative expenses	$122,070	$ (8,897)	$113,173	$110,581

	Nine Months Ended September 30,			
	2003			2002
	As reported	Currency Translation	Constant Currencies	As reported
Hudson revenue	$753,091	$(67,732)	$685,359	$760,403
Highland revenue	47,562	(2,273)	45,289	52,174
Total revenue	800,653	(70,005)	730,648	812,577
Direct costs	501,181	(41,588)	459,593	484,752
Gross margin	$299,472	$(28,417)	$271,055	$327,825
Selling, general and administrative expenses	$367,408	$(31,166)	$336,242	$344,612

Quarter Ended September 30, 2003 Compared to the Quarter Ended September 30, 2002

Total revenues for the three months ended September 30, 2003 were $272,181, an increase of $1,471 or 0.5%, as compared to total revenues of $270,710 in the third quarter of 2002. On a constant currencies basis total revenues would have decreased 8.0% comparing the third quarter 2003 with the third quarter 2002. This decrease was primarily due to lower temporary contracting revenues in the U.S. and Asia Pacific markets as a result of the effects of weak economic and labor environments, which reduced demand for the Company's services.

Hudson revenues were $256,516 for the three months ended September 30, 2003, an increase of 0.7% from $254,672 for the same period of 2002. On a constant currencies basis Hudson revenues would have decreased 8.1% comparing the third quarter 2003 with the third quarter 2002, reflecting lower demand for temporary staffing, particularly in the U.S. information technologies ("IT") market and lower temporary staffing revenues in Australia, partially offset by higher revenues in the U.K.

Highland revenues of $15,665 for the three months ended September 30, 2003 were down 2.3% from $16,038 in the same period of 2002, reflecting the continued adverse impact that the challenging global economy is having on executive level search placements. On a constant currencies basis, Highland revenues would have decreased 6.2% comparing the third quarter 2003 with the third quarter 2002.

Direct costs for the three months ended September 30, 2003 were $173,959, an increase of 4.7% compared to $166,158 for the same period of 2002. On a constant currencies basis, direct costs would have decreased in the third quarter of 2003 period in comparison to the prior year by 3.9%. The decrease in direct costs is attributable to the lower demand for temporary contracting services. This decrease was partially offset by permanent staffing out-of-pocket expenses classified as direct costs in 2003.

Gross margin, defined as revenue less direct costs, for the three months ended September 30, 2003 was $98,222, lower by $6,330 or 6.1% from $104,552 reported in the three months ended September 30, 2002. Gross margin as a percentage of revenue declined to 36.1% for the third quarter of 2003, from 38.6% in the third quarter of 2002. The decrease was primarily due to a decline in permanent staffing revenue, particularly in Asia, Canada and various countries in continental Europe; lower margins in temporary staffing, largely due to the domestic IT staffing market; and an increase in direct costs associated with the classification of permanent staffing out-of-pocket expenses. On a constant currencies basis, the third quarter 2003 gross margin would have decreased by 14.5% compared to the third quarter 2002.

Selling, general and administrative expenses for the three months ended September 30, 2003 were $122,070 an increase of 10.4% compared with $110,581 for the same period of 2002. Selling general and administrative expenses were 44.8% and 40.8%, as a percentage of revenue for the third quarter of 2003 and 2002, respectively. A higher provision for doubtful accounts of $5,734, the cost related to the repositioning of Highland Europe $3,000 and the reclassification of certain transactions with Monster to selling expenses negatively impacted third quarter 2003 results when compared to the same period in 2002. This was partially offset by continued cost cutting in reaction to the current economic and labor environment. On a constant currencies basis, the third quarter 2003 selling, general and administrative expenses would have increased by 2.3% compared to the third quarter 2002.

In the third quarter of 2003, the Company determined that goodwill should be tested for impairment due to current business conditions and changes in circumstances resulting from the Distribution, which established the Company as an independent entity with a separate market capitalization. As a result of this test and the related fair value examination, the Company recorded a non-cash goodwill impairment charge of $202,785. The impairment valuation was based upon a discounted cash flow approach that used estimated future revenues and costs for each business segment as well as appropriate discount rates. The estimates that were used are consistent with the plans and estimates the Company is using to manage the underlying business. The goodwill impairment charge wrote-off all goodwill related to both of the Company's business segments.

Business reorganization and special charges (reversals) for the three months ended September 30, 2003 totaled $(906) compared to $407 in the same period of 2002. The 2002 expenses related to the cost for streamlining of operations as announced in the second quarter of 2002. The reversals for the third quarter of 2003 were primarily related to the finalization of the consolidation of certain facilities and leases at a lower than expected cost.

Merger and integration recoveries reflect costs incurred as a result of pooling-of-interests transactions and the integration of such companies. For the three months ended September 30, 2003, merger and integration recoveries were $102, compared to recoveries of $902 from the same period in the prior year.

Operating loss for the three months ended September 30, 2003 was $225,625, compared to an operating loss of $5,534 for the comparable period in 2002. The increase in the loss was primarily the result of the goodwill impairment charge of $202,785. The remainder of the increase was the result of a lower gross margin and higher selling, general and administrative costs.

Hudson's operating loss for the three months ended September 30, 2003 was $204,195, compared to operating income of $1,360 for the same period in 2002. The three-month 2003 loss included a goodwill impairment charge of $195,404 and higher allowances for doubtful accounts of $4,485, when compared to 2002 results.

Highland's operating loss for the three months ended September 30, 2003 was $13,235, compared to operating income of $2,478 for the same period in 2002. The three-month 2003 loss included a goodwill impairment charge of $7,381 and cost of $3,000 related to the repositioning of Highland Europe.

Corporate expense for the three months ended September 30, 2003 was $8,195, compared to the Monster expense allocation of $9,372 in the comparable period of 2002.

Other non-operating expense, including net interest expense, was $870 in the third quarter of 2003 and $128 for the same period of 2002.

The benefit for income taxes for the three months ended September 30, 2003 was $221 on a pretax loss of $226,495 compared with an expense of $66 on a pretax loss of $5,406 for the same period of 2002. The Company's effective tax rate for the three months ended September 30, 2003 and 2002 differs significantly from the U.S. Federal statutory rate of 35% as a result of the inability of the Company to recognize benefits from its current losses related to the goodwill impairment charge and current losses from its businesses where the possible future ability to utilize its loss carryforwards is uncertain, as well as certain non-deductible expenses such as amortization, business restructuring and spin-off costs, merger costs from pooling of interests transactions, and variations from the U.S. tax rate in foreign jurisdictions.

Net loss was $226,274 for the three months ended September 30, 2003, compared with a loss of $5,472 for the same period in 2002.

Basic and diluted loss per share for the third quarter of 2003 was a loss of $26.73 per share compared to a loss of $.65 per share in the third quarter of 2002. For the 2003 and 2002 periods, dilutive earnings per share calculations do not differ from basic earnings per share because the effects of any potential common stock were anti-dilutive and therefore not included in the calculation of dilutive earnings per share.

Nine Months Ended September 30, 2003 Compared to the Nine Months Ended September 30, 2002

The Company's financial results for the nine months ended September 30, 2003 include the results for the first quarter of 2003, when the Company was a whole-owned subsidiary of Monster.

Total revenues for the nine months ended September 30, 2003 were $800,653, a decrease of $11,924 or 1.5%, as compared to total revenues of $812,577 in the first nine months of 2002. This decrease was primarily due to the effects of weak global economic and labor environments, which reduced demand for the Company's services. On a constant currencies basis total revenues would have decreased 10.1% comparing the first nine months of 2003 with the same period in 2002.

Hudson revenues were $753,091 for the nine months ended September 30, 2003, down 1.0% from $760,403 for the same period of 2002, reflecting lower demand for permanent staffing revenue, particularly in various countries in continental Europe and lower revenue from temporary staffing, largely due to lower demand in the domestic IT staffing market. On a constant currencies basis Hudson revenues would have decreased 9.9% comparing the first nine months of 2003 with the same period in 2002.

Highland revenues of $47,562 for the nine months ended September 30, 2003 were down 8.8% from $52,174 in same period of 2002, reflecting the continued adverse impact that the challenging global economy is having on executive level search placements. On a constant currencies basis, Highland revenues would have decreased 13.2% comparing the first nine months of 2003 with the same period in 2002.

Direct costs for the nine months ended September 30, 2003 were $501,181, compared to $484,752 for the same period of 2002. On a constant currencies basis, direct costs would have decreased in the first nine months of 2003 in comparison to the prior year by 5.2%. The decrease was the result of lower requirements for temporary contractors, partially offset by the classification of permanent staffing out-of-pocket expenses as direct costs in 2003 only.

Gross margin, defined as revenue less direct costs, for the nine months ended September 30, 2003 was $299,472, lower by $28,353 or 8.6% from $327,825 reported in the nine months ended September 30, 2002. Gross margin as a percentage of revenue declined to 37.4% for the first nine months of 2003, from 40.3% in the first nine months of 2002. The decrease was primarily due to lower revenue in temporary staffing, largely due to lower demand in the domestic IT and engineering staffing market; a decline in permanent staffing revenue, particularly Asia, Canada and various countries in continental Europe; and an increase in direct costs associated with the classification of permanent staffing out-of-pocket expenses. On a constant currencies basis gross margin would have decreased by 17.3% in the first nine months of 2003 when compared to the same period of 2002.

Selling, general and administrative expenses for the nine months ended September 30, 2003 were $367,408, higher by 6.6% when compared with $344,612 for the same period of 2002. Selling general and administrative expenses were 45.9% and 42.4%, as a percentage of revenue for the first half of 2003 and 2002, respectively. A higher provision for doubtful accounts of $13,664 and the reclassification of certain transactions with Monster to selling expenses negatively impacted these expenses for the 2003 nine month period compared to the same period in 2002. This was partially offset by continued cost cutting in reaction to the current economic and labor environment. On a constant currencies basis the first nine months of 2003 selling, general and administrative expenses would have decreased by 2.4% compared to the same period of 2002.

In the third quarter of 2003, the Company determined that goodwill should be tested for impairment due to current business conditions and changes in circumstances resulting from the Distribution, which established the Company as an independent entity with a separate market capitalization. As a result of this test and the related fair value examination, the Company recorded a non-cash goodwill impairment charge of $202,785. The impairment valuation was based upon a discounted cash flow approach that used estimated future revenues and costs for each business segment as well as appropriate discount rates. The estimates that were used are consistent with the plans and estimates the Company is using to manage the underlying business. The goodwill impairment charge wrote-off all goodwill related to both of the Company's business segments.

Business reorganization and special charges for the nine months ended September 30, 2003 totaled $6,555, as compared to $53,133 in the same period of 2002. The 2002 expenses related to the cost of streamlining operations as announced in the second quarter of 2002. The expenses for the first nine months of 2003 were primarily related to consolidation of facilities, workforce reductions and professional fees related to the Distribution and the continuation of the process to streamline operations begun in 2002.

Merger and integration expenses reflect costs incurred as a result of pooling-of-interests transactions and the integration of such companies. For the nine months ended September 30, 2003, merger and integration costs were $876, a reduction of $5,180 from the same period in the prior year. Merger and integration expenses included lease obligations, office integration costs, the write-off of fixed assets that will not be used in the future; and severance, professional fees and employee stay bonuses to certain key personnel of the merged companies. The decrease in expense for the first nine months of 2003 compared to the same period in 2002 was a result of the finalization of the exit strategies related to the pooled businesses.

Operating loss for the nine months ended September 30, 2003 was $278,152, compared to an operating loss of $75,976 for the comparable period in 2002. The increase in the loss was primarily the result of the goodwill impairment charge of $202,785 in 2003 and the remainder was due to higher selling, general and administrative expenses and lower gross margin, partially offset by a reduction in business reorganization expenses.

Hudson's operating loss for the nine months ended September 30, 2003 was $231,018, compared to an operating loss of $37,534 for the same period in 2002. The nine-month 2003 loss included a goodwill impairment charge of $195,404, higher allowances for doubtful accounts of $10,857 and lower business reorganization and merger and integration costs of $34,931, when compared to 2002 results.

Highland's operating loss for the nine months ended September 30, 2003 was $24,491, compared to an operating loss of $10,326 for the same period in 2002. The nine-month 2003 loss included a goodwill impairment charge of $7,381, the cost related to the repositioning of Highland Europe $3,000 and lower business reorganization and merger and integration costs of $12,029, when compared to 2002 results.

Corporate expense for the nine months ended September 30, 2003 was $22,643, compared to the Monster expense allocation of $28,116 in the comparable period of 2002. The nine-month 2003 expenses include lower business reorganization and merger and integration costs of $4,798, when compared to 2002 results.

Other non-operating expense, including net interest expense, was $1,306 in the first nine months of 2003 and $281 for the same period of 2002.

The provision for income taxes for the nine months ended September 30, 2003 was $5,917 on a pretax loss of $279,458, compared with a benefit of $1,827 on a pretax loss of $76,257 for the same period of 2002. The Company's effective tax rate for the nine months ended September 30, 2003 and 2002 differs significantly from the U.S. Federal statutory rate of 35% as a result of the inability of the Company to recognize benefits from its current losses related to the goodwill impairment charge and current losses from its businesses where the possible future ability to utilize its loss carryforwards is uncertain, as well as valuation allowances on previously established deferred tax assets, net operating losses retained or utilized by Monster, certain non-deductible expenses such as amortization, business restructuring and spin-off costs, merger costs from pooling of interests transactions, and variations from the U.S. tax rate in foreign jurisdictions.

Net loss before cumulative accounting change was $285,375 for the nine months ended September 30, 2003, compared with a loss of $74,430 for the same period in 2002.

In conjunction with the adoption of SFAS 142 as of the beginning of fiscal year 2002, the Company completed a goodwill impairment review for its operating segments. The results of the impairment review indicated that the carrying value of goodwill might not be recoverable. Accordingly, the Company recorded as a cumulative effect of an accounting change a one-time goodwill impairment charge of $293,000 at January 1, 2002 to reduce the carrying value of goodwill to its estimated fair value.

Net loss was $285,375 for the nine months ended September 30, 2003 compared with a net loss of $367,430 for the same period in 2002. Basic and diluted loss per share on loss before accounting change for the first nine months was a loss of $33.78 per share, compared to a loss of $8.91 per share in the first nine months of 2002. Basic and diluted loss per share for the first nine months of 2003 was a loss of $33.78 per share, compared to a loss of $43.99 per share in the first nine months of 2002. Basic average shares outstanding were essentially unchanged between the two periods. For the 2003 and 2002 periods, dilutive earnings per share calculations do not differ from basic earnings per share because the effects of any potential common stock were anti-dilutive and therefore not included in the calculation of dilutive earnings per share.

Liquidity and Capital Resources

Prior to the Distribution, cash receipts associated with the HH Group business were largely retained by Monster and Monster provided funds to cover HH Group's disbursements for operating activities, capital expenditures and acquisitions. The cash balances at December 31, 2002 were based on the results of the Company's operations and the net cash resulting from inter-company transfers between HH Group and Monster. The investing and financing activities discussed below during 2002 and the first quarter of 2003 were funded as a result of activities entered into by Monster and relating to HH Group operations. The long-term debt amounts reported by the Company primarily relate to capital lease obligations and long-term debt that Monster incurred to acquire businesses and other assets that were transferred to the Company immediately prior to the Distribution.

The Company's liquidity needs arise primarily from funding working capital requirements, as well as capital investment in information technology. Prior to the Distribution, HH Group historically relied upon Monster's centralized cash management function and Monster's line of credit facility. Legal obligation for settlement of such liabilities will remain with the Company. In connection with the Distribution, Monster provided HH Group cash in the aggregate amount of $40,000 upon completion of the Distribution, agreed to reimburse the Company $13,530 of cash payments (the Company received payments of $3,908 and $2,109 during the third and second quarters of 2003, respectively, and will receive payments of $2,500 from Monster in the first month subsequent to the end of each quarter through the second quarter of 2004) due under its accrued integration restructuring and business reorganization plans.

The Company has a senior secured credit facility for $30,000 with Wells Fargo Foothill, Inc. (the "Foothill Credit Facility"). The Foothill Credit Facility has a term of three years, beginning March 31, 2003. Outstanding loans will bear interest equal to the prime rate plus 0.25% or LIBOR plus 2.00%, at the Company's option. The Foothill Credit Facility is secured by substantially all of the assets of the Company and extensions of credit will be based on a percentage of the accounts receivable of the Company. The Company expects to use such credit, if and when required, to support its ongoing working capital requirements, capital expenditures and other corporate purposes and to issue letters of credit. As of September 30, 2003, the Company has not borrowed any amounts under this credit facility, but has had letters of credit issued in an outstanding amount of $1,843. On September 30, 2003, the Company entered into an amendment to the original credit agreement that modified covenants and borrowing capacity. The original agreement was for a credit facility of $50,000, which has since been temporarily reduced to $30,000 until Wells Fargo Foothill has arranged a syndication for the additional $20,000.

The Foothill Credit Facility contains various restrictions and covenants, including (1) prohibitions on payments of dividends and repurchases of the Company's stock; (2) requirements that the Company maintain certain financial ratios at prescribed levels; (3) restrictions on the ability of the Company to make additional borrowings, or to consolidate, merge or otherwise fundamentally change the ownership of the Company; and (4) limitations on investments, dispositions of assets and guarantees of indebtedness. These restrictions and covenants could limit the Company's ability to respond to market conditions, to provide for unanticipated capital investments, to raise additional debt or equity capital, to pay dividends or to take advantage of business opportunities, including future acquisitions.

During the nine months ended September 30, 2003 and 2002, the Company used cash in operating activities of $22,375 and $96,928, respectively. Cash usage decreased in 2003 from 2002 as a result of improved working capital accounts, primarily accounts receivable and current liabilities. These improvements in cash flow were partially offset by higher spending related to the business reorganization plans in 2003.

During the nine months ended September 30, 2003 and 2002, the Company used cash in investing activities of $8,154 and $14,552, respectively. This use of cash was primarily related to capital expenditures in the normal course of operations and payments related to businesses purchased in prior years. The decreased use of cash in the first nine months of 2003 compared to 2002 was the result of lower payments related to prior period purchases of businesses, as these projects were essentially completed in 2002, partially offset by higher capital expenditures.

During the nine months ended September 30, 2003 and 2002, the Company generated cash from financing activities of $40,681 and $100,421, respectively. The cash funding from Monster and debt payments to third parties were both lower in 2003 compared to 2002. The Company received $737 for the issuance of its common stock for the Employee Stock Purchase Plan in the third quarter of 2003. The Company's debt relates to third-party debt and capital leases incurred to acquire businesses during 2001. Total third-party debt and capital leases as of September 30, 2003 were $1,408.

The Company believes that the cash and cash equivalents on hand at September 30, 2003, supplemented by the Foothill Credit Facility, will provide it with sufficient liquidity to satisfy its working capital needs, capital expenditures, investment requirements and commitments through at least the next twelve months. Cash generated from operating activities is subject to fluctuations in the global economy and unemployment rates.

Recent Accounting Pronouncements

In July 2002, the FASB issued SFAS No. 146, Accounting for Costs Associated with Exit or Disposal Activities ("SFAS 146"). SFAS 146 applies to costs associated with an exit (including restructuring) or disposal activity. Those activities can include eliminating or reducing product lines, terminating employees and contracts, and relocating plant facilities or personnel. Under SFAS 146, a company records a liability for a cost associated with an exit or disposal activity when that liability is incurred and can be measured at fair value. SFAS 146 requires a company to disclose information about its exit and disposal activities, the related costs and changes in those costs in the notes to the interim and annual financial statements that include the period in which an exit activity is initiated and in any subsequent period until the activity is completed. SFAS 146 is effective prospectively for exit or disposal activities initiated after December 31, 2002. Under SFAS 146, a company may not restate its previously issued financial statements. Liabilities recognized as a result of disposal activities prior to the adoption of SFAS 146 continue to be accounted for under Emerging Issues Task Force ("EITF") Issue No. 94-3, Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring) ("EITF 94-3"). The Company's adoption of SFAS 146 on January 1, 2003, did not have a material impact on the Company's financial position or results of operations.

In December 2002, the FASB issued SFAS No. 148, Accounting for Stock-Based Compensation--Transition and Disclosure, ("SFAS 148") an amendment of SFAS No. 123, Accounting for Stock-Based Compensation ("SFAS 123"), which provides alternatives for companies electing to account for stock-based compensation using the fair value criteria established by SFAS 123. The Company intends to account for stock-based compensation under the provisions of Accounting Principles Board Opinion No. 25.

In November 2002, the FASB issued FASB Interpretation No. 45, Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Guarantees of the Indebtedness of Others, which addresses the accounting for and disclosure of guarantees. Interpretation No. 45 requires a guarantor to recognize a liability for the fair value of a guarantee at inception. The recognition of the liability is required even if it is not probable that payments will be required under the guarantee. The disclosure requirements are effective for interim and annual financial statements ending after December 15, 2002. The initial recognition and measurement provisions are effective on a prospective basis for guarantees issued or modified after December 31, 2002. The Company's adoption of Interpretation No. 45 did not have a material effect on the Company's consolidated financial statements.

In January 2003, the FASB issued FASB Interpretation No. 46, Consolidation of Variable Interest Entities. The objective of this interpretation is to provide guidance on how to identify a variable interest entity ("VIE") and determine when the assets, liabilities, noncontrolling interests, and results of operations of a VIE need to be included in a company's consolidated financial statements. A company that holds variable interests in an entity will need to consolidate the entity if the company's interest in the VIE is such that the company will absorb a majority of the VIE's expected losses and/or receive a majority of the entity's expected residual returns, if they occur. Interpretation No. 46 also requires additional disclosures by primary beneficiaries and other significant variable interest holders. The interpretation became effective upon issuance. The Company's adoption of this interpretation did not have an effect on its consolidated financial statements.

On May 1, 2003, the FASB issued SFAS No. 149, Amendment of Statement 133 on Derivative Instruments and Hedging Activities ("SFAS 149"). SFAS 149 amends and clarifies accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under Statement 133. SFAS 149 is effective for contracts entered into or modified after June 30, 2003. The Company's adoption of SFAS 149 should not have an effect on its consolidated financial statements.

On May 15, 2003, the FASB issued SFAS No. 150, Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity ("SFAS 150"). SFAS 150 changes the accounting for certain financial instruments that, under previous guidance, could be classified as equity or "mezzanine" equity, by now requiring those instruments to be classified as liabilities (or assets in some circumstances) in the statement of financial position. Further, SFAS 150 requires disclosure regarding the terms of those instruments and settlement alternatives. SFAS 150 affects an entity's classification of the following freestanding instruments; mandatorily redeemable instruments, financial instruments to repurchase an entity's own equity instruments and financial instruments embodying obligations that the issuer must or could choose to settle by issuing a variable number of its shares or other equity instruments based solely on (a) a fixed monetary amount known at inception or (b) something other than changes in its own equity instruments. SFAS 150 is effective for periods beginning after June 15, 2003. The Company's adoption of this interpretation did not have an effect on its consolidated financial statements.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

The Securities and Exchange Commission encourages companies to disclose forward-looking information so that investors can better understand the future prospects of a company and make informed investment decisions. This Form 10-Q contains these types of statements, which 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 Form 10-Q 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. The Company uses such forward-looking statements regarding its future financial condition and results of operations and its business operations and future business prospects in this Form 10-Q. All forward-looking statements reflect the Company's present expectation of future events and are subject to a number of important factors, risks, uncertainties and assumptions, including industry and economic conditions, that could cause actual results to differ materially from those described in the forward-looking statements. Such factors, risks, uncertainties and assumptions include, but are not limited to, (1) the impact of global economic fluctuations on the Company's temporary contracting operations, (2) the cyclical nature of the Company's executive search and mid-market professional staffing businesses, (3) the Company's ability to manage its growth, (4) risks associated with expansion, (5) the Company's heavy reliance on information systems and the impact of potentially losing that technology or failing to further develop technology, (6) the Company's markets are highly competitive, (7) the Company's operating results fluctuate from quarter to quarter, (8) risks relating to the Company's foreign operations, including foreign currency fluctuations, (9) the Company's dependence on its highly skilled professionals, (10) the impact of employees departing with existing executive search clients, (11) risks maintaining the Company's professional reputation and brand name, (12) restrictions imposed by blocking arrangements, (13) the Company's exposure to employment-related claims, legal liability and costs from both clients and employers and limitations on insurance coverage related thereto, (14) the Company's dependence on key management personnel, (15) the impact of government regulations, (16) the Company's ability to successfully operate as an independent company and the level of costs associated therewith and (17) restrictions on the Company's operating flexibility due to the terms of its credit facility. Please see "Risk Factors" in the Company's Registration Statement on Form 10 filed with the Securities and Exchange Commission on March 14, 2003 for more information.

The Company cautions that undue reliance should not be placed on the forward-looking statements, which speak only as of the date of this Form 10-Q. The Company assumes no obligation, and expressly disclaims any obligation, to update any forward-looking statements, whether as a result of new information, future events or otherwise.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The majority of the Company's borrowings are in fixed rate equipment leases and seller financed notes. The carrying amounts of the Company's debt approximate fair value, generally due to the short-term nature of the underlying instruments. The Company does not trade derivative financial instruments for speculative purposes.

The Company also conducts operations in various foreign countries, including Australia, Belgium, Canada, France, Germany, Italy, the Netherlands, New Zealand and the United Kingdom. For the nine months ended September 30, 2003, approximately 70% of the Company's revenues were earned outside the United States and collected in local currency and related operating expenses were also paid in such corresponding local currency. Accordingly, the Company is subject to increased risk for exchange rate fluctuations between such local currencies and the U.S. dollar.

The financial statements of the Company's non-U.S. subsidiaries are translated into U.S. dollars using current rates of exchange, with translation gains or losses included in the cumulative translation adjustment account, a component of stockholders' equity. During the nine-month period ended September 30, 2003, the Company had a translation gain of approximately $9,301, primarily attributable to the weakening of the U.S. dollar against the Australian dollar and the Euro.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of disclosure controls and procedures. In accordance with Rule 13a-15(b) of the Securities Exchange Act of 1934 (the "Exchange Act"), the Company's management evaluated, with the participation of the Company's Chairman of the Board, President and Chief Executive Officer and Executive Vice President and Chief Financial Officer, the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) as of the end of the quarter ended September 30, 2003. Based upon their evaluation of these disclosure controls and procedures, the Chairman of the Board, President and Chief Executive Officer and the Executive Vice President and Chief Financial Officer concluded that the disclosure controls and procedures were effective as of the end of the quarter ended September 30, 2003 to ensure that material information relating to the Company, including its consolidated subsidiaries, was made known to them by others within those entities, particularly during the period in which this Quarterly Report on Form 10-Q was being prepared.

Changes in internal controls over financial reporting. There was no change in the Company's internal control over financial reporting that occurred during the quarter ended September 30, 2003 that has materially affected, or is reasonably likely to materially to affect, the Company's internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits: The following Exhibits are filed herewith.

4 Amendment Number 1 to Amended and Restated Loan Security Agreement, dated as of September 30, 2003, between Hudson Highland Group, Inc and Wells Fargo Foothill, Inc.

15 Letter regarding unaudited interim financial information from BDO Seidman, LLP, independent certified public accountants. (With respect to the unaudited interim financial statements of Hudson Highland Group, Inc. for the periods ended September 30, 2003 and 2002 included in this Quarterly Report on Form 10-Q, BDO Seidman, LLP have applied limited procedures in accordance with professional standards for a review of such information. However, as stated in their report included in this Quarterly Report on Form 10-Q, they did not audit and they do not express an opinion on those unaudited interim financial statements. Accordingly, the degree of reliance on their reports on such information should be restricted in light of the limited nature of the review procedures applied. To the extent that this Quarterly Report on Form 10-Q is incorporated by reference in any registration statements that Hudson Highland Group, Inc. has filed with the Securities and Exchange Commission under the Securities Act of 1933, as amended, BDO Seidman, LLP are not subject to the liability provisions of Section 11 of that Act for their reports on the unaudited interim financial statements because those reports are not "reports" or a "part" of the registration statement prepared or certified by an accountant within the meaning of Sections 7 and 11 of the Act.)

31.1 Certification by the Chairman, President and Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act for Hudson Highland Group, Inc.

31.2 Certification by the Executive Vice President and Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act for Hudson Highland Group, Inc.

32.1 Written Statement of the Chairman, President and Chief Executive Officer Pursuant to 18 U.S.C. Section 1350 for Hudson Highland Group, Inc.

32.2 Written Statement of the Executive Vice President and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350 for Hudson Highland Group, Inc.

SIGNATURES

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

HUDSON HIGHLAND GROUP, INC.
(Registrant)

By: /s/ JON F. CHAIT

Jon F. Chait
Chairman, President and
Chief Executive Officer
(Principal Executive Officer)

Dated: November 10, 2003

By: /s/ RICHARD W. PEHLKE

Richard W. Pehlke
Executive Vice President and
Chief Financial Officer
(Principal Financial and Accounting Officer)

Dated: November 10, 2003

HUDSON HIGHLAND GROUP, INC.
FORM 10-Q

EXHIBIT INDEX

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AMENDMENT NUMBER 1 TO
AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT

THIS AMENDMENT NUMBER 1 TO AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT (this "Amendment"), dated as of September 30, 2003, is entered into by HUDSON HIGHLAND GROUP, INC., a Delaware corporation ("Parent"), and each of Parent's Subsidiaries identified on the signature pages hereof (such Subsidiaries, together with Parent, are referred to hereinafter each individually as a "Borrower", and individually and collectively, jointly and severally, as "Borrowers"), WELLS FARGO FOOTHILL, INC. (formerly known as FOOTHILL CAPITAL CORPORATION), a California corporation, as the arranger and administrative agent for the Lenders ("Agent"), and the lenders identified on the signature pages hereof (such lenders, together with their respective successors and assigns, are referred to hereinafter each individually as a "Lender" and collectively as the "Lenders"), in light of the following:

W I T N E S S E T H

WHEREAS, Borrowers, Agent and Lenders are parties to that certain Amended and Restated Loan and Security Agreement, dated as of June 25, 2003 (as amended, restated, supplemented, or modified from time to time, the "Loan Agreement"); and

WHEREAS, Borrowers have requested that the Loan Agreement be amended to include certain Bank Products (as defined below) extended to Borrowers by Wells Fargo Bank, N.A., or any of its affiliates; and

WHEREAS, subject to the satisfaction of the conditions set forth herein, Agent and Lenders are willing to so consent to the amendment of the Loan Agreement;

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree to amend the Loan Agreement as follows:

1. DEFINITIONS Capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed to them in the Loan Agreement, as amended hereby.

2. AMENDMENTS TO LOAN AGREEMENT

(a) Section 1.1 of the Loan Agreement is hereby amended by adding the following defined terms in proper alphabetical order or amending and restating the following definitions in their entirety, as the case may be:

"ACH Transactions" means any cash management or related services (including the Automated Clearing House processing of electronic funds transfers through the direct Federal Reserve Fedline system) provided by Wells Fargo or its Affiliates for the account of a Borrower or its Subsidiaries.

"Adjusted EBITDA" means, with respect to any fiscal period, Parent's and its Subsidiaries' consolidated net earnings (or loss), minus extraordinary gains, plus (a) interest expense, (b) income taxes, (c) depreciation, (d) amortization, (e) restructuring charges for the Highland Partners line of business not to exceed $12,000,000 in the aggregate, (f) write-offs of bad debt receivables that (i) relate to receivables that existed prior to the Spin-Off and (ii) are written off on or before September 30, 2003, and (g) write-offs of goodwill taken in accordance with accounting principles for such period, as determined in accordance with GAAP.

"Availability" means, as of any date of determination, if such date is a Business Day, and determined at the close of business on the immediately preceding Business Day, if such date of determination is not a Business Day, the amount that Borrowers are entitled to borrow as Advances under Section 2.1 (after giving effect to all then outstanding Obligations (other than Bank Products Obligations) and all sublimits and reserves applicable hereunder).

"Bank Product Agreements" means those certain cash management service agreements entered into from time to time by a Borrower or Borrowers or any of its or their Subsidiaries in connection with any of the Bank Products.

"Bank Product Obligations" means all obligations, liabilities, contingent reimbursement obligations, fees, and expenses owing by Borrowers or their Subsidiaries to Wells Fargo or its Affiliates pursuant to or evidenced by the Bank Product Agreements and irrespective of whether for the payment of money, whether direct or indirect, absolute or contingent, due or to become due, now existing or hereafter arising, and including all such amounts that Borrowers are obligated to reimburse to Lenders or any Lender as a result of Lenders or any Lender purchasing participations or executing indemnities or reimbursement obligations with respect to the Bank Products provided to Borrowers or their Subsidiaries pursuant to the Bank Product Agreements.

"Bank Products" means any service or facility extended to a Borrower or its Subsidiaries by Wells Fargo or any Affiliate of Wells Fargo including: (a) credit cards, (b) credit card processing services, (c) debit cards, (d) purchase cards, (e) ACH Transactions, (f) cash management, including controlled disbursement, accounts or services, or (g) Hedge Agreements.

"Bank Product Reserves" means, as of any date of determination, the amount of reserves that Agent has established (based upon Wells Fargo's or its Affiliate's reasonable determination of the credit exposure in respect of then extant Bank Products) for Bank Products then provided or outstanding.

"Hedge Agreement" means any and all transactions, agreements, or documents now existing or hereafter entered into between a Borrower or its Subsidiaries and Wells Fargo or its Affiliates, which provide for an interest rate, credit, commodity or equity swap, cap, floor, collar, forward foreign exchange transaction, currency swap, cross currency rate swap, currency option, or any combination of, or option with respect to, these or similar transactions, for the purpose of hedging such Borrower's or its Subsidiaries' exposure to fluctuations in interest or exchange rates, loan, credit exchange, security or currency valuations or commodity prices.

"Line Block" means (a) $20,000,000 less (b) any Commitment or aggregate Commitments successfully syndicated by Foothill to another Lender or Lenders up to a maximum amount, in the aggregate, of $20,000,000.

"Loan Documents" means this Agreement, the Bank Product Agreements, the Cash Management Agreements, the Control Agreements, the Due Diligence Letter, the Fee Letter, the Guaranties, the Letters of Credit, the Officers' Certificate, the Stock Pledge Agreement, the Trademark Security Agreement, the Intercompany Subordination Agreement, the UK Security Documents, the Subsidiary Documents, the Australian Security Documents, the Canadian Security Documents, any note or notes executed by a Borrower in connection with this Agreement and payable to a member of the Lender Group, and any other agreement entered into, now or in the future, by any Borrower and the Lender Group in connection with this Agreement.

"Maximum Revolver Amount" means an amount equal to (i) $50,000,000 less (ii) at such times as it is in effect, the Line Block.

"Obligations" means (a) all loans, Advances, debts, principal, interest (including any interest that, but for the provisions of the Bankruptcy Code, would have accrued), contingent reimbursement obligations with respect to outstanding Letters of Credit, premiums, liabilities (including all amounts charged to Borrowers' Loan Account pursuant hereto), obligations, fees (including the fees provided for in the Fee Letter), charges, costs, Lender Group Expenses (including any fees or expenses that, but for the provisions of the Bankruptcy Code, would have accrued), lease payments, guaranties, covenants, and duties of any kind and description owing by Borrowers to the Lender Group pursuant to or evidenced by the Loan Documents and irrespective of whether for the payment of money, whether direct or indirect, absolute or contingent, due or to become due, now existing or hereafter arising, and including all interest not paid when due and all Lender Group Expenses that Borrowers are required to pay or reimburse by the Loan Documents, by law, or otherwise, and (b) all Bank Product Obligations. Any reference in this Agreement or in the Loan Documents to the Obligations shall include all amendments, changes, extensions, modifications, renewals replacements, substitutions, and supplements, thereto and thereof, as applicable, both prior and subsequent to any Insolvency Proceeding.

(b) Section 2.1(a)(z) of the Loan Agreement is hereby amended and restated in its entirety as follows:

"(z) the sum of (i) the Bank Products Reserve, and (ii) the aggregate amount of reserves, if any, established by Agent under Section 2.1(b)."

(c) Section 2.4(b)(i) of the Loan Agreement is hereby amended and restated in its entirety as follows:

"(i) Except as otherwise provided with respect to Defaulting Lenders and except as otherwise provided in the Loan Documents (including letter agreements between Agent and individual Lenders), aggregate principal and interest payments shall be apportioned ratably among the Lenders (according to the unpaid principal balance of the Obligations to which such payments relate held by each Lender) and payments of fees and expenses (other than fees or

expenses that are for Agent's separate account, after giving effect to any letter agreements between Agent and individual Lenders) shall be apportioned ratably among the Lenders having a Pro Rata Share of the type of Commitment or Obligation to which a particular fee relates. All payments shall be remitted to Agent and all such payments (other than payments received while no Default or Event of Default has occurred and is continuing and which relate to the payment of principal or interest of specific Obligations or which relate to the payment of specific fees), and all proceeds of Accounts or other Collateral received by Agent, shall be applied as follows:

(A) first, to pay any Lender Group Expenses then due to Agent under the Loan Documents, until paid in full,

(B) second, to pay any Lender Group Expenses then due to the Lenders under the Loan Documents, on a ratable basis, until paid in full,

(C) third, to pay any fees then due to Agent (for its separate accounts, after giving effect to any letter agreements between Agent and the individual Lenders) under the Loan Documents until paid in full,

(D) fourth, to pay any fees then due to any or all of the Lenders (after giving effect to any letter agreements between Agent and individual Lenders) under the Loan Documents, on a ratable basis, until paid in full,

(E) fifth, to pay interest due in respect of all Agent Advances, until paid in full,

(F) sixth, ratably to pay interest due in respect of the Advances (other than Agent Advances) and the Swing Loans until paid in full,

(G) seventh, to pay the principal of all Agent Advances until paid in full,

(H) eighth, to pay the principal of all Swing Loans until paid in full,

(I) ninth, so long as no Event of Default has occurred and is continuing, and at Agent's election, to pay amounts then due and owing by Borrowers or their Subsidiaries in respect of Bank Products, until paid in full,

(J) tenth, so long as no Event of Default has occurred and is continuing, to pay the principal of all Advances until paid in full,

(K) eleventh, if an Event of Default has occurred and is continuing, ratably (i) to pay the principal of all Advances until paid in full, and (ii) to Agent, to be held by Agent, for the benefit of Wells Fargo or its Affiliates, as applicable, as cash collateral in an amount up to the amount of the Bank Products Reserve established prior to the occurrence of, and not in contemplation of, the subject Event of Default until Borrowers' and their Subsidiaries' obligations in respect of the then extant Bank Products have been paid in full or the cash collateral amount has been exhausted,

(L) twelfth, if an Event of Default has occurred and is continuing, to Agent, to be held by Agent, for the ratable benefit of Issuing Lender and Lenders as cash collateral in an amount up to 105% of the then extant Letter of Credit Usage until paid in full,

(M) thirteenth, to pay any other Obligations until paid in full, and

(N) fourteenth, to Borrowers (to be wired to the Designated Account) or such other Person entitled thereto under applicable law."

(d) Section 2.5 of the Loan Agreement is hereby amended and restated in its entirety as follows:

"If, at any time or for any reason, the amount of Obligations (other than Bank Product Obligations) owed by Borrowers to the Lender Group pursuant to Sections 2.1 and 2.12 is greater than either the Dollar or percentage limitations set forth in Sections 2.1, 2.2 or 2.12, (an "Overadvance"), Borrowers immediately shall pay to Agent, in cash, the amount of such excess, which amount shall be used by Agent to reduce the Obligations in accordance with the priorities set forth in Section 2.4(b). In addition, Borrowers hereby promise to pay the Obligations (including principal, interest, fees, costs, and expenses) in Dollars in full to the Lender Group as and when due and payable under the terms of this Agreement and the other Loan Documents."

(e) Section 2.6(a) of the Loan Agreement is hereby amended and restated in its entirety as follows:

"(a) Interest Rates. Except as provided in clause (c) below, all Obligations (except for undrawn Letters of Credit and except for Bank Product Obligations) that have been charged to the Loan Account pursuant to the terms hereof shall bear interest on the Daily Balance thereof as follows (i) if the relevant Obligation is an Advance that is a LIBOR Rate Loan, at a per annum rate equal to the LIBOR Rate plus the LIBOR Rate Margin, and (ii) otherwise, at a per annum rate equal to the Base Rate plus the Base Rate Margin.

The foregoing notwithstanding, at no time shall any portion of the Obligations (other than undrawn Letters of Credit and Bank Product Obligations) bear interest on the Daily Balance thereof at a per annum rate less than 4.25%. To the extent that interest accrued hereunder at the rate set forth herein would be less than the foregoing minimum daily rate, the interest rate chargeable hereunder for such day automatically shall be deemed increased to the minimum rate."

(f) Section 2.6(c)(i) of the Loan Agreement is hereby amended and restated in its entirety as follows:

"(i) all Obligations (except for undrawn Letters of Credit and except for Bank Product Obligations) that have been charged to the Loan Account pursuant to the terms hereof shall bear interest on the Daily Balance thereof at a per annum rate equal to 4 percentage points above the per annum rate otherwise applicable hereunder, and"

(g) Section 2.6(d) of the Loan Agreement is hereby amended and restated in its entirety as follows:

"(d) Payment. Interest, Letter of Credit fees, and all other fees payable hereunder shall be due and payable, in arrears, on the first day of each month at any time that Obligations or Commitments are outstanding. Borrowers hereby authorize Agent, from time to time, without prior notice to Borrowers, to charge such interest and fees, all Lender Group Expenses (as and when incurred), the charges, commissions, fees, and costs provided for in Section 2.12(e) (as and when accrued or incurred), the fees and costs provided for in Section 2.11 (as and when accrued or incurred), and all other payments as and when due and payable under any Loan Document (including any amounts due and payable to Wells Fargo or its Affiliates in respect of Bank Products up to the amount of the then extant Bank Products Reserve) to Borrowers' Loan Account, which amounts thereafter constitute Advances hereunder and shall accrue interest at the rate then applicable to Advances hereunder. Any interest not paid when due shall be compounded by being charged to Borrowers' Loan Account and shall thereafter constitute Advances hereunder and shall accrue interest at the rate then applicable to Advances that are Base Rate Loans hereunder."

(h) Section 2.10 of the Loan Agreement is hereby amended and restated in its entirety as follows:

"Agent shall maintain an account on its books in the name of Borrowers (the "Loan Account") on which Borrowers will be charged with all Advances (including Agent Advances and Swing Loans) made by Agent, Swing Lender, or the Lenders to Borrowers or for Borrowers' account, the Letters of Credit issued by Issuing Lender for Borrowers' account, and with all other payment Obligations hereunder or under the other Loan Documents (except for Bank Product Obligations), including, accrued interest, fees and expenses, and Lender Group Expenses. In accordance with Section 2.8, the Loan Account will be credited with all payments received by Agent from Borrowers or for Borrowers' account, including all amounts received in the Agent's Account from any Cash Management Bank. Agent shall render statements regarding the Loan Account to Administrative Borrower, including principal, interest, fees, and including an itemization of all charges and expenses constituting Lender Group Expenses owing, and such statements shall be presumed to be correct and accurate and constitute an account stated between Borrowers and the Lender Group absent manifest error unless, within 30 days after receipt thereof by Administrative Borrower, Administrative Borrower shall deliver to Agent written objection thereto describing the error or errors contained in any such statements."

(i) Sections 3.5(c) and 3.5(d) of the Loan Agreement are hereby amended and restated in their entirety as follows:

"(b) within ninety (90) days of the Activation Date, Borrowers shall obtain Collateral Access Agreements with respect to premises occupied by HH Canada at 40 King Street West, Suite 3200, Toronto, and by HH Australia at 16 Angel Place, 123 Pitt Street, Sydney;

(c) on or before October 27, 2003, Borrowers shall obtain a Collateral Access Agreement with respect to premises occupied by HH Australia at 333 Collins Street, Melbourne; and

(d) on or before December 1, 2003, Agent shall have received statutory searches for all Canadian jurisdictions in which Borrowers and Collateral may be located, the results of which searches show the recording of Agent's security interests and otherwise shall be satisfactory to Agent in its Permitted Discretion."

(j) Section 3.6 of the Loan Agreement is hereby amended and restated in its entirety as follows:

"On the date of termination of this Agreement, all Obligations (including contingent reimbursement obligations of Borrowers with respect to any outstanding Letters of Credit and including all Bank Products Obligations) immediately shall become due and payable without notice or demand (including (a) either (i) providing cash collateral to be held by Agent in an amount equal to 105% of the then extant Letter of Credit Usage, or (ii) causing the original Letters of Credit to be returned to Agent, and (b) providing cash collateral to be held by Agent for the benefit of Wells Fargo or its Affiliates with respect to the then extant Bank Products Obligations). No termination of this Agreement, however, shall relieve or discharge Borrowers of their duties, Obligations, or covenants hereunder and the Agent's Liens in the Collateral shall remain in effect until all Obligations have been fully and finally discharged and the Lender Group's obligations to provide additional credit hereunder have been terminated. When this Agreement has been terminated and all of the Obligations have been fully and finally discharged and the Lender Group's obligations to provide additional credit under the Loan Documents have been terminated irrevocably, Agent will, at Borrowers' sole expense, execute and deliver any UCC and PPSA termination statements, lien releases, mortgage releases, re-assignments of trademarks, discharges of security interests, and other similar discharge or release documents (and, if applicable, in recordable form) as are reasonably necessary to release, as of record, the Agent's Liens and all notices of security interests and liens previously filed by Agent with respect to the Obligations."

(k) Section 3.7 of the Loan Agreement is hereby amended and restated in its entirety as follows:

"Borrowers have the option, at any time upon 90 days prior written notice by Administrative Borrower to Agent, to terminate this Agreement by paying to Agent, for the benefit of the Lender Group, in cash, the Obligations (including (a) either (i) providing cash collateral to be held by Agent in an amount equal to 105% of the then extant Letter of Credit Usage, or (ii) causing the original Letters of Credit to be returned to the Issuing Lender, and (b) providing cash collateral to be held by Agent for the benefit of Wells Fargo or its Affiliates with respect to the then extant Bank Products Obligations), in full, together with the Applicable Prepayment Premium (to be allocated based upon letter agreements between Agent and individual Lenders). If Administrative Borrower has sent a notice of termination pursuant to the provisions of this Section, then the Commitments shall terminate and Borrowers shall be obligated to repay the Obligations (including (a) either (i) providing cash collateral to be held by

Agent in an amount equal to 105% of the then extant Letter of Credit Usage, or (ii) causing the original Letters of Credit to be returned to the Issuing Lender, and (b) providing cash collateral to be held by Agent for the benefit of Wells Fargo or its Affiliates with respect to the then extant Bank Products Obligations), in full, together with the Applicable Prepayment Premium, on the date set forth as the date of termination of this Agreement in such notice. In the event of the termination of this Agreement and repayment of the Obligations at any time prior to the Maturity Date, for any other reason, including (a) termination upon the election of the Required Lenders to terminate after the occurrence of an Event of Default, (b) foreclosure and sale of Collateral, (c) sale of the Collateral in any Insolvency Proceeding, or (d) restructure, reorganization or compromise of the Obligations by the confirmation of a plan of reorganization, or any other plan of compromise, restructure, or arrangement in any Insolvency Proceeding, then, in view of the impracticability and extreme difficulty of ascertaining the actual amount of damages to the Lender Group or profits lost by the Lender Group as a result of such early termination, and by mutual agreement of the parties as to a reasonable estimation and calculation of the lost profits or damages of the Lender Group, Borrowers shall pay the Applicable Prepayment Premium to Agent (to be allocated based upon letter agreements between Agent and individual Lenders), measured as of the date of such termination."

(l) Section 7.20(a)(i) of the Loan Agreement is hereby amended and restated in its entirety as follows:

"(i) Minimum Adjusted EBITDA. Adjusted EBITDA, measured on a month-end or quarter-end basis as set forth below, of not less than the required amount set forth in the following table (in thousands) for the applicable month set forth opposite thereto;

Applicable Month	Applicable Amount 2003
April	($7,425)
May	($11,547)
June	($11,000)
July	($21,720)
August	($28,519)
September	($25,121)
October	($28,721)
November	($30,990)
December	($33,554)

Adjusted EBITDA shall be determined: (a) from the Closing Date until the date of determination for the first twelve calendar months occurring after the Closing Date, on a trailing basis for the number of full calendar months elapsed since the Closing Date, and (b) thereafter on a trailing twelve-month basis. Prior to the first month-end occurring on or after the Activation Date,

Adjusted EBITDA shall be measured (x) on a month-end basis at all times that the Account Report Base is less than $20,000,000 and (y) on a quarter-end basis at all other times. From and after the first month-end occurring on or after the Activation Date, Adjusted EBITDA shall be measured (x) on a month-end basis at all times that the Account Report Base is less than $30,000,000 and (y) on a quarter-end basis at all other times. Agent shall establish required minimum amounts for periods ending after December 31, 2003 on the basis of 80% of projections of Adjusted EBITDA earnings or 120% of Adjusted EBITDA losses for such periods delivered by Borrower and accepted by Agent in its Permitted Discretion."

3. CONDITIONS PRECEDENT TO THIS AMENDMENT. The satisfaction of each of the following shall constitute conditions precedent to the effectiveness of this Amendment and each and every provision hereof:

(a) The representations and warranties in the Loan Agreement and the other Loan Documents shall be true and correct in all respects on and as of the date hereof, as though made on such date (except to the extent that such representations and warranties relate solely to an earlier date);

(b) Agent shall have received the reaffirmation and consent of each Guarantor, attached hereto as Exhibit A, duly executed and delivered by an authorized official of such Guarantor;

(c) No Default or Event of Default shall have occurred and be continuing on the date hereof or as of the date of the effectiveness of this Amendment; and

(d) No injunction, writ, restraining order, or other order of any nature prohibiting, directly or indirectly, the consummation of the transactions contemplated herein shall have been issued and remain in force by any Governmental Authority against any Borrower, any Guarantor, Agent, or any Lender.

4. CONSTRUCTION. THIS AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK APPLICABLE TO CONTRACTS MADE AND TO BE PERFORMED IN THE STATE OF NEW YORK.

5. ENTIRE AMENDMENT; EFFECT OF AMENDMENT. This Amendment, and the terms and provisions hereof, constitute the entire agreement among the parties pertaining to the subject matter hereof and supersede any and all prior or contemporaneous amendments relating to the subject matter hereof. Except for the amendments to the Loan Agreement expressly set forth in Section 2 hereof, the Loan Agreement and other Loan Documents shall remain unchanged and in full force and effect. To the extent any terms or provisions of this Amendment conflict with those of the Loan Agreement or other Loan Documents, the terms and provisions of this Amendment shall control. This Amendment is a Loan Document.

6. COUNTERPARTS; TELEFACSIMILE EXECUTION. This Amendment may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument and any of the parties hereto may execute this Amendment by signing any such

counterpart. Delivery of an executed counterpart of this Amendment by telefacsimile shall be equally as effective as delivery of an original executed counterpart of this Amendment. Any party delivering an executed counterpart of this Amendment by telefacsimile also shall deliver an original executed counterpart of this Amendment, but the failure to deliver an original executed counterpart shall not affect the validity, enforceability, and binding effect of this Amendment.

7. MISCELLANEOUS

(a) Upon the effectiveness of this Amendment, each reference in the Loan Agreement to "this Agreement", "hereunder", "herein", "hereof" or words of like import referring to the Loan Agreement shall mean and refer to the Loan Agreement as amended by this Amendment.

(b) Upon the effectiveness of this Amendment, each reference in the Loan Documents to the "Loan Agreement", "thereunder", "therein", "thereof" or words of like import referring to the Loan Agreement shall mean and refer to the Loan Agreement as amended by this Amendment.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, the parties have caused this Amendment to be executed and delivered as of the date first written above.

HUDSON HIGHLAND GROUP, INC.,
as Parent and a Borrower

By: /s/ Steven B. London

Title: VP Global Treasurer

HUDSON GLOBAL RESOURCES AMERICA, INC.,
fka HUDSON HIGHLAND GROUP GLOBAL
RESOURCES AMERICA, INC.,
as a Borrower

By: /s/ Steven B. London

Title: VP Global Treasurer

HUDSON GLOBAL RESOURCES HOLDINGS, INC.,
fka HUDSON HIGHLAND GROUP GLOBAL
RESOURCES HOLDINGS, INC., as a Borrower

By: /s/ Steven B. London

Title: VP Global Treasurer

HUDSON GLOBAL RESOURCES MANAGMENT, INC.,
fka HUDSON HIGHLAND GROUP GLOBAL
RESOURCES MANAGEMENT, INC., as a Borrower

By: /s/ Steven B. London

Title: VP Global Treasurer

HUDSON GLOBAL RESOURCES LIMITED,
as a Borrower

By: /s/ Steven B. London

Title: VP Global Treasurer

HIGHLAND PARTNERS LIMITED, as a Borrower

By: /s/ Steven B. London

Title: VP Global Treasurer

HUDSON GLOBAL RESOURCES (AUST) PTY LTD.,
as a Borrower

By: /s/ Steven B. London

Title: VP Global Treasurer

HUDSON TRADE & INDUSTRIAL SERVICES PTY LTD.,
as a Borrower

By: /s/ Steven B. London

Title: VP Global Treasurer

HUDSON TRADE & INDUSTRIAL SOLUTIONS PTY LTD.,
as a Borrower

By: /s/ Steven B. London

Title: VP Global Treasurer

HUDSON GLOBAL RESOURCES (NEWCASTLE) PTY LTD.,
as a Borrower

By: /s/ Steven B. London

Title: VP Global Treasurer

HIGHLAND PARTNERS (AUST) PTY LTD., as a Borrower

By: /s/ Steven B. London

Title: VP Global Treasurer

HUDSON HIGHLAND GROUP SEARCH, INC., as a Borrower

By: /s/ Steven B. London

Title: VP Global Treasurer

JAMES BOTRIE AND ASSOCIATES INC., as a Borrower

By: /s/ Steven B. London

Title: VP Global Treasurer

HIGHLAND PARTNERS CO. (CANADA), fka 3057313 NOVA
SCOTIA COMPANY, as a Borrower

By: /s/ Steven B. London

Title: VP Global Treasurer

WELLS FARGO FOOTHILL, INC.,
as Agent and as a Lender

By: /s/

Title: AVP

Exhibit A

REAFFIRMATION AND CONSENT

All capitalized terms used herein but not otherwise defined herein shall have the meanings ascribed to them in that certain Amended and Restated Loan and Security Agreement by and among HUDSON HIGHLAND GROUP, INC., a Delaware corporation ("Parent"), and each of Parent's Subsidiaries identified on the signature pages thereto (such Subsidiaries, together with Parent, are referred to hereinafter each individually as a "Borrower", and individually and collectively, jointly and severally, as "Borrowers"), WELLS FARGO FOOTHILL, INC. (formerly known as FOOTHILL CAPITAL CORPORATION), a California corporation, as the arranger and administrative agent for the Lenders ("Agent"), and the lenders identified on the signature pages thereto (such lenders, together with their respective successors and assigns, are referred to hereinafter each individually as a "Lender" and collectively as the "Lenders"), dated as of June 25, 2003 (as amended, restated, supplemented or otherwise modified, the "Loan Agreement"), or in Amendment Number 1 to Amended and Restated Loan and Security Agreement, dated as of September 30, 2003 (the "Amendment"), among Borrowers, Agent and Lenders. The undersigned each hereby (a) represent and warrant to Agent and Lenders that the execution, delivery, and performance of this Reaffirmation and Consent are within its powers, have been duly authorized by all necessary action, and are not in contravention of any law, rule, or regulation, or any order, judgment, decree, writ, injunction, or award of any arbitrator, court, or governmental authority, or of the terms of its charter or bylaws, or of any contract or undertaking to which it is a party or by which any of its properties may be bound or affected; (b) consents to the transactions contemplated by the Amendment; (c) acknowledges and reaffirms its obligations owing to Agent and Lenders under any Loan Documents to which it is a party; and (d) agrees that each of the Loan Documents to which it is a party is and shall remain in full force and effect. Although each of the undersigned has been informed of the matters set forth herein and has acknowledged and agreed to same, it understands that Agent and Lenders have no obligations to inform it of such matters in the future or to seek its acknowledgment or agreement to future amendments, and nothing herein shall create such a duty. Delivery of an executed counterpart of this Reaffirmation and Consent by telefacsimile shall be equally as effective as delivery of an original executed counterpart of this Reaffirmation and Consent. Any party delivering an executed counterpart of this Reaffirmation and Consent by telefacsimile also shall deliver an original executed counterpart of this Reaffirmation and Consent but the failure to deliver an original executed counterpart shall not affect the validity, enforceability, and binding effect of this Reaffirmation and Consent. This Reaffirmation and Consent shall be governed by the laws of the State of New York.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, the undersigned have each caused this Reaffirmation and Consent to be executed as of the date of the Amendment.

People.com Consultants, Inc.
People.com Technology Partners, Inc.
Hudson Highland Group Holdings International, Inc.
Cornell Technical Services, Inc.
Hudson Highland (APAC) Pty Limited
Morgan & Banks Holdings Australasia Pty Limited
Highland HoldCo (Aust) Pty Ltd.
MORGAN & BANKS MANAGEMENT SERVICES PTY LIMITED
Hudson Global Resources (NZ) Ltd.
M&B Holdco NZ
Highland HoldCo (NZ)
Highland Partners (NZ) Limited

By: _____________________________
Title: _____________________________

Highland Partners SA/NV

By: _____________________________
Title: _____________________________

De Witte & Morel Global Resources NV/SA

By: _____________________________
Title: _____________________________

Highland Partners SARL

By: _____________________________
Title: _____________________________

Hudson Global Resources SAS

By: _____________________________
Title: _____________________________

Highland Partners Holding BV

By: _____________________________
Title: _____________________________

Hudson Group Holdings BV

By: _____________________________
Title: _____________________________

November 7, 2003

Board of Directors and Stockholders
Hudson Highland Group, Inc.
New York, New York

We have made a review, in accordance with standards established by the American Institute of Certified Public Accountants, of the unaudited interim financial information of Hudson Highland Group, Inc. for the periods ended September 30, 2003 and 2002, as indicated in our report dated October 28, 2003; because we did not perform an audit, we expressed no opinion on that information.

We are aware that our report referred to above, which is included in your Quarterly Report on Form 10-Q for the quarter ended September 30, 2003, is incorporated by reference in the Registration Statements of Hudson Highland Group, Inc. on Forms S-8, numbers 333-104209, 333-104210 and 333-104212.

We also are aware that the aforementioned report, pursuant to Rule 436(c) under the Securities Act of 1933, is not considered a part of the Registration Statement prepared or certified by an accountant or a report prepared or certified by an accountant within the meaning of Sections 7 and 11 of that Act.

/s/ BDO Seidman, LLP
New York, New York

Exhibit 31.1
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CERTIFICATIONS

I, Jon F. Chait, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Hudson Highland Group, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially attested, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: November 10, 2003

/s/ JON F. CHAIT

Jon F. Chait
Chairman, President and
Chief Executive Officer

Exhibit 31.2
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CERTIFICATIONS

I, Richard W. Pehlke, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Hudson Highland Group, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially attested, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: November 10, 2003

/s/ RICHARD W. PEHLKE

Richard W. Pehlke
Executive Vice President and
Chief Financial Officer

EXHIBIT 32.1
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Written Statement of the Chairman, President and Chief Executive Officer
Pursuant to 18 U.S.C. ss.1350, as adopted pursuant to
ss.906 of the Sarbanes-Oxley Act of 2002

Solely for the purposes of complying with 18 U.S.C. ss.1350, I, the undersigned Chairman of the Board, President and Chief Executive Officer of Hudson Highland Group, Inc. (the "Company"), hereby certify, based on my knowledge, that the Quarterly Report on Form 10-Q of the Company for the quarter ended September 30, 2003 (the "Report") fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 and that information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ JON F. CHAIT
Jon F. Chait
November 10, 2003

EXHIBIT 32.2
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Written Statement of the Executive Vice President and Chief Financial Officer
Pursuant to 18 U.S.C. ss.1350, as adopted pursuant to
ss.906 of the Sarbanes-Oxley Act of 2002

Solely for the purposes of complying with 18 U.S.C. ss.1350, I, the undersigned Executive Vice President and Chief Financial Officer of Hudson Highland Group, Inc. (the "Company"), hereby certify, based on my knowledge, that the Quarterly Report on Form 10-Q of the Company for the quarter ended September 30, 2003 (the "Report") fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 and that information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ RICHARD W. PEHLKE
Richard W. Pehlke
November 10, 2003