

Hudson Global, Inc.
Form 10-Q
July 28, 2016

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

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2016
or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number: 000-50129

HUDSON GLOBAL, 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.)

1325 Avenue of the Americas, New York, NY 10019
(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 No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "large accelerated filer", "accelerated filer", and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

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Large accelerated filer Accelerated filer
Non-accelerated filer Smaller reporting company

Indicate by checkmark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

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

Class	Outstanding on June 30, 2016
Common Stock - \$0.001 par value	33,611,474

HUDSON GLOBAL, INC.
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PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

HUDSON GLOBAL, INC.

CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS

(in thousands, except per share amounts)

(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Revenue	\$113,067	\$122,743	\$214,294	\$247,060
Direct costs	66,228	72,521	126,193	148,934
Gross margin	46,839	50,222	88,101	98,126
Operating expenses:				
Selling, general and administrative expenses	48,315	53,550	91,957	105,716
Depreciation and amortization	805	974	1,493	2,085
Business reorganization expenses	144	2,060	781	3,403
Total operating expenses	49,264	56,584	94,231	111,204
Gain (loss) on sale and exit of businesses	—	20,005	—	20,005
Operating income (loss)	(2,425)	13,643	(6,130)	6,927
Non-operating income (expense):				
Interest income (expense), net	(101)	(369)	(155)	(449)
Other income (expense), net	(13)	(40)	(150)	(27)
Income (loss) from continuing operations before provision for income taxes	(2,539)	13,234	(6,435)	6,451
Provision for (benefit from) income taxes from continuing operations	808	460	482	331
Income (loss) from continuing operations	(3,347)	12,774	(6,917)	6,120
Income (loss) from discontinued operations, net of income taxes	209	1,103	292	919
Net income (loss)	\$(3,138)	\$13,877	\$(6,625)	\$7,039
Basic and diluted earnings (loss) per share:				
Basic and diluted earnings (loss) per share from continuing operations	\$(0.10)	\$0.38	\$(0.21)	\$0.18
Basic and diluted earnings (loss) per share from discontinued operations	0.01	0.03	0.01	0.03
Basic and diluted earnings (loss) per share	\$(0.09)	\$0.41	\$(0.20)	\$0.21
Weighted-average shares outstanding:				
Basic	33,252	33,525	33,434	33,296
Diluted	33,252	33,525	33,434	33,296

See accompanying notes to condensed consolidated financial statements.

HUDSON GLOBAL, INC.
 CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME (LOSS)
 (in thousands, except per share amounts)
 (unaudited)

	Three Months		Six Months	
	Ended June 30,		Ended June 30,	
	2016	2015	2016	2015
Comprehensive income (loss):				
Net income (loss)	\$(3,138)	\$13,877	\$(6,625)	\$7,039
Other comprehensive income (loss):				
Foreign currency translation adjustment, net of income taxes	(1,833)	1,192	(1,164)	(1,571)
Pension liability adjustment	(9)	—	(7)	(19)
Total other comprehensive income (loss), net of income taxes	(1,842)	1,192	(1,171)	(1,590)
Comprehensive income (loss)	\$(4,980)	\$15,069	\$(7,796)	\$5,449

See accompanying notes to condensed consolidated financial statements.

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

	June 30, 2016	December 31, 2015
ASSETS		
Current assets:		
Cash and cash equivalents	\$24,939	\$ 37,663
Accounts receivable, less allowance for doubtful accounts of \$792 and \$860, respectively	67,368	62,420
Prepaid and other	4,811	5,979
Current assets of discontinued operations	38	81
Total current assets	97,156	106,143
Property and equipment, net	7,385	7,928
Deferred tax assets, non-current	7,018	6,724
Other assets, non-current	4,369	4,154
Total assets	\$115,928	\$ 124,949
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$3,963	\$ 5,184
Accrued expenses and other current liabilities	43,138	40,344
Short-term borrowings	7,163	2,368
Accrued business reorganization expenses	1,757	2,252
Current liabilities of discontinued operations	596	1,443
Total current liabilities	56,617	51,591
Deferred rent and tenant improvement contributions	3,562	4,244
Income tax payable, non-current	2,240	2,279
Other non-current liabilities	4,752	5,655
Total liabilities	67,171	63,769
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 35,208 and 35,260 shares, respectively	34	34
Additional paid-in capital	481,942	480,816
Accumulated deficit	(438,313)	(428,287)
Accumulated other comprehensive income, net of applicable tax	9,121	10,292
Treasury stock, 1,597 and 646 shares, respectively, at cost	(4,027)	(1,675)
Total stockholders' equity	48,757	61,180
Total liabilities and stockholders' equity	\$115,928	\$ 124,949

See accompanying notes to condensed consolidated financial statements.

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

	Six Months Ended June 30,	
	2016	2015
Cash flows from operating activities:		
Net income (loss)	\$(6,625)	\$7,039
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,493	2,085
Provision for (recovery of) doubtful accounts	113	111
Provision for (benefit from) deferred income taxes	(431)	(64)
Stock-based compensation	1,126	3,758
Gain on sale and exit of businesses	—	(21,373)
Other, net	189	175
Changes in assets and liabilities:		
Decrease (increase) in accounts receivable	(6,319)	(11,215)
Decrease (increase) in prepaid and other assets	703	2,102
Increase (decrease) in accounts payable, accrued expenses and other liabilities	1,562	(5,470)
Increase (decrease) in accrued business reorganization expenses	(1,884)	(128)
Net cash used in operating activities	(10,073)	(22,980)
Cash flows from investing activities:		
Capital expenditures	(1,194)	(1,325)
Proceeds from sale of consolidated subsidiary, net of cash sold	—	7,894
Proceeds from sale of assets	32	16,815
Net cash provided by (used in) investing activities	(1,162)	23,384
Cash flows from financing activities:		
Borrowings under credit agreements	56,229	72,132
Repayments under credit agreements	(51,430)	(70,894)
Repayment of capital lease obligations	(42)	(24)
Dividend payments	(3,401)	—
Purchase of treasury stock	(2,352)	—
Purchase of restricted stock from employees	—	(163)
Net cash provided by (used in) financing activities	(996)	1,051
Effect of exchange rates on cash and cash equivalents	(493)	(603)
Net increase (decrease) in cash and cash equivalents	(12,724)	852
Cash and cash equivalents, beginning of the period	37,663	33,989
Cash and cash equivalents, end of the period	\$24,939	\$34,841
Supplemental disclosures of cash flow information:		
Cash paid during the period for interest	\$140	\$85
Net cash payments (refunds) during the period for income taxes	\$324	\$(98)

See accompanying notes to condensed consolidated financial statements.

HUDSON GLOBAL, INC.
 CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
 (in thousands)
 (unaudited)

	Common stock		Additional paid-in capital	Accumulated deficit	Accumulated other comprehensive income (loss)	Treasury stock	Total
	Shares	Value					
Balance at December 31, 2015	34,611	\$ 34	\$ 480,816	\$(428,287)	\$ 10,292	\$(1,675)	\$61,180
Net income (loss)	—	—	—	(6,625)	—	—	(6,625)
Other comprehensive income (loss), currency translation adjustments, net of applicable tax	—	—	—	—	(1,164)	—	(1,164)
Other comprehensive income (loss), pension liability adjustment	—	—	—	—	(7)	—	(7)
Cash dividends (\$0.10 per share)	—	—	—	(3,401)	—	—	(3,401)
Purchase of treasury stock	(948)	—	—	—	—	(2,352)	(2,352)
Stock-based compensation	(52)	—	1,126	—	—	—	1,126
Balance at June 30, 2016	33,611	\$ 34	\$ 481,942	\$(438,313)	\$ 9,121	\$(4,027)	\$48,757

See accompanying notes to condensed consolidated financial statements.

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HUDSON GLOBAL, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(in thousands, except share and per share amounts)

(unaudited)

NOTE 1 – BASIS OF PRESENTATION

These interim unaudited condensed consolidated financial statements have been prepared in accordance with United States of America ("U.S.") generally accepted accounting principles ("U.S. GAAP") for interim financial information and with the instructions to Form 10-Q and should be read in conjunction with the consolidated financial statements and related notes of Hudson Global, Inc. and its subsidiaries (the "Company") filed in its Annual Report on Form 10-K for the year ended December 31, 2015.

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of operating revenues and expenses. These estimates are based on management's knowledge and judgments. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation of the Company's financial position, results of operations and cash flows at the dates and for the periods presented have been included. The results of operations for interim periods are not necessarily indicative of the results of operations for the full year. The Condensed Consolidated Financial Statements include the accounts of the Company and all of its wholly-owned and majority-owned subsidiaries. All significant intra-entity balances and transactions between and among the Company and its subsidiaries have been eliminated in consolidation.

NOTE 2 – DESCRIPTION OF BUSINESS

The Company is comprised of the operations, assets and liabilities of the three Hudson regional businesses of Hudson Americas, Hudson Asia Pacific, and Hudson Europe ("Hudson regional businesses" or "Hudson"). The Company provides specialized professional-level recruitment and related talent solutions. The Company's core service offerings include Permanent Recruitment, Temporary Contracting, Recruitment Process Outsourcing ("RPO") and Talent Management Solutions.

The Company operates in 12 countries with three reportable geographic business segments: Hudson Americas, Hudson Asia Pacific, and Hudson Europe. See Note 18 for further details regarding the reportable segments. Corporate expenses are reported separately from the reportable segments and pertain to certain functions, such as executive management, corporate governance, human resources, accounting, tax, marketing, information technology and treasury. A portion of these expenses are attributed to the reportable segments for providing the above services to them and have been allocated to the segments as management service fees and are included in the segments' non-operating other income (expense).

The Company's core service offerings include those services described below.

Permanent Recruitment: Offered on both a retained and contingent basis, Hudson's Permanent Recruitment services leverage its consultants, psychologists and other professionals in the development and delivery of its proprietary methods to identify, select and engage the best-fit talent for critical client roles.

Temporary Contracting: In Temporary Contracting, Hudson provides a range of project management, interim management and professional contract staffing services. These services draw upon a combination of specialized recruiting and project management competencies to deliver a wide range of solutions. Hudson-employed professionals - either individually or as a team - are placed with client organizations for a defined period of time based on a client's specific business need.

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HUDSON GLOBAL, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(in thousands, except share and per share amounts)

(unaudited)

RPO: Hudson RPO delivers both permanent recruitment and temporary contracting outsourced recruitment solutions tailored to the individual needs of primarily mid-to-large-cap multinational companies. Hudson RPO's delivery teams utilize state-of-the-art recruitment process methodologies and project management expertise in their flexible, turnkey solutions to meet clients' ongoing business needs. Hudson RPO services include complete recruitment outsourcing, project-based outsourcing, contingent workforce solutions and recruitment consulting.

Talent Management Solutions: Featuring embedded proprietary talent assessment and selection methodologies, Hudson's Talent Management capability encompasses services such as talent assessment (utilizing a variety of competency, attitude and experiential testing), interview training, executive coaching, employee development and outplacement.

NOTE 3 – RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In March 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-09, "Stock Compensation (Topic 718)" ("ASU 2016-09"), which is intended to simplify several aspects of the accounting for share-based payment award transactions. ASU 2016-09 will be effective for the fiscal year beginning after December 15, 2016, including interim periods within that year. Early adoption is permitted. The Company is currently evaluating the impact to its consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)" ("ASU 2016-02"), which amends the existing standards for lease accounting. This new standard requires the recognition of lease assets and lease liabilities on the balance sheet and the disclosure of key information about leasing arrangements including the amounts, timing, and uncertainty of cash flows arising from leases. ASU 2016-02 will be effective for the Company on January 1, 2019 and will require modified retrospective application as of the beginning of the earliest year presented in the financial statements. Early adoption is permitted. The Company is currently evaluating the impact to its consolidated financial statements.

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)." This ASU is a comprehensive new revenue recognition model that requires a company to recognize revenue to depict the transfer of goods or services to a customer at an amount that reflects the consideration it expects to receive in exchange for those goods or services. This ASU also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. In July 2015, the FASB amended the effective date of this ASU to fiscal years beginning after December 15, 2017 and early adoption is permitted only for fiscal years beginning after December 15, 2016. In March, April and May 2016, the FASB issued ASU 2016-08 "Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net)," ASU 2016-10 "Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing," and ASU 2016-12 "Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients" which provide further clarifications to be considered when implementing ASU 2014-09. The Company plans to adopt this guidance on January 1, 2018. Companies may use either a full retrospective or a modified retrospective approach to adopt this ASU. The Company is currently evaluating the impact to its consolidated financial statements.

There are no other recently issued accounting pronouncements that have had, or that the Company believes will have, a material impact on the Company's consolidated financial statements.

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HUDSON GLOBAL, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(in thousands, except share and per share amounts)

(unaudited)

NOTE 4 – DIVESTITURES

Hudson Information Technology (US) business (the "US IT business")

On June 15, 2015, the Company completed the sale (the "US IT Business Sale") of substantially all of the assets (excluding working capital) of its US IT business to Mastech, Inc. (the "Purchaser"). The completion of the US IT Business Sale was effective June 14, 2015. The US IT Business Sale was pursuant to an Asset Purchase Agreement, dated as of May 8, 2015 (the "Agreement"), by and among the Company, Hudson Global Resources Management, Inc., a wholly owned subsidiary of the Company, and the Purchaser. At the closing of the U.S. IT Business Sale, the Company received from the Purchaser pursuant to the Agreement the purchase price of \$16,977 in cash. The US IT business pre-tax loss in accordance with ASC No. 205 "Reporting Discontinued Operations" ("ASC 205") for the three and six months ended June 30, 2015 was \$266 and \$7, respectively.

On the US IT Business Sale, for the six months ended June 30, 2015 the Company recognized a pre-tax gain of \$15,938, net of closing and other direct transaction costs. Income tax on the gain was \$11. For U.S. Federal income tax purposes, the gain is offset in full by net operating loss carryforwards. For state and local income tax purposes, the gain was mostly offset by net operating loss carryforwards. As the divestiture did not meet the requirements for classification as discontinued operations, the gain on sale is presented as a component of income (loss) from operations.

Netherlands business

On May 7, 2015, the Company entered into a Share Purchase Agreement and completed the sale (the "Netherlands Business Sale") of its Netherlands business to InterBalance Group B.V., effective April 30, 2015, in a management buyout for \$9,029, which included cash retained of \$1,135. As the divestiture did not reach the thresholds required to qualify as discontinued operations, the operations remain within the Company's continuing operations for all periods presented. The Netherlands pre-tax profit in accordance with ASC 205 for the three and six months ended June 30, 2015 was \$17 and \$373, respectively.

Exit of Businesses in Central and Eastern Europe

In February 2015, the Company's Board of Directors approved the exit of operations in certain countries within Central and Eastern Europe (Ukraine, Czech Republic and Slovakia). During the quarter ended June 30, 2015, the Company deemed the liquidation of its Central and Eastern Europe businesses to be substantially complete.

Luxembourg

In March 2015, the Company's management approved the exit of operations in Luxembourg. In the third quarter of 2015, the Company deemed the liquidation of its Luxembourg business to be substantially complete.

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HUDSON GLOBAL, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(in thousands, except share and per share amounts)

(unaudited)

NOTE 5 – DISCONTINUED OPERATIONS

Effective November 9, 2014, the Company completed the sale of substantially all of the assets and certain liabilities of its Legal eDiscovery business in the U.S. and United Kingdom ("U.K.") to Document Technologies, LLC and DTI of London Limited. In addition, in 2014, the Company ceased operations in Sweden, which was included within the Hudson Europe segment. The Company concluded that the divestiture of the Legal eDiscovery business and the cessation of operations in Sweden meet the criteria for discontinued operations set forth in ASC 205. The Company reclassified its discontinued operations for all periods presented and has excluded the results of its discontinued operations from continuing operations and from segment results for all periods presented.

The carrying amounts of the classes of assets and liabilities from the Legal eDiscovery business and Sweden operations included in discontinued operations were as follows:

	June 30, 2016			December 31, 2015		
	eDiscovery	Sweden	Total	eDiscovery	Sweden	Total
Total current assets	\$38	\$ —	\$38	\$49	\$ 32	\$81
Total liabilities (a)	\$586	\$ 10	\$596	\$1,439	\$ 4	\$1,443

(a) Total liabilities primarily consisted of restructuring liabilities for lease termination payments.

Reported results for the discontinued operations by period were as follows:

	Three Months Ended June 30, 2016			Three Months Ended June 30, 2015		
	eDiscovery	Sweden	Total	eDiscovery	Sweden	Total
Revenue	\$—	\$ —	\$—	\$—	\$6	\$6
Gross margin	58	—	58	(192)	6	(186)
Reorganization expenses	(201)	—	(201)	(7)	(23)	(30)
Operating income (loss), excluding gain (loss) from sale of business	247	—	247	(230)	47	(183)
Gain (loss) from sale and liquidation of discontinued operations (1)	—	—	—	12	1,274	1,286
Income (loss) from discontinued operations before income taxes	247	—	247	(218)	1,321	1,103
Provision (benefit) for income taxes	38	—	38	—	—	—
Income (loss) from discontinued operations	\$209	\$ —	—\$209	\$(218)	\$1,321	\$1,103

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HUDSON GLOBAL, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(in thousands, except share and per share amounts)

(unaudited)

	Six Months Ended June 30, 2016			Six Months Ended June 30, 2015		
	eDiscovery	Sweden	Total	eDiscovery	Sweden	Total
Revenue	\$—	\$—	\$—	\$(1)	\$6	\$5
Gross margin	59	—	59	(103)	6	(97)
Reorganization expenses	(341)	—	(341)	356	(29)	327
Operating income (loss), excluding gain (loss) from sale of business	357	(1)	356	(496)	18	(478)
Other non-operating income (loss), including interest	—	—	—	(8)	—	(8)
Gain (loss) from sale and liquidation of discontinued operations (1)	—	—	—	94	1,274	1,368
Income (loss) from discontinued operations before income taxes	357	(1)	356	(410)	1,292	882
Provision (benefit) for income taxes	64	—	64	(37)	—	(37)
Income (loss) from discontinued operations	\$293	\$ (1)	\$292	\$(373)	\$1,292	\$919

(1) During the quarter ended June 30, 2015, the Company deemed the liquidation of its Sweden business to be substantially complete. As such under ASC 830, "Foreign Currency Matters," for the three and six months ended June 30, 2015, the Company transferred the amount of the foreign entity's accumulated foreign currency translation gains and losses from accumulated other comprehensive income to income (loss) from discontinued operations.

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HUDSON GLOBAL, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(in thousands, except share and per share amounts)

(unaudited)

NOTE 6 – REVENUE, DIRECT COSTS AND GROSS MARGIN

The Company's revenue, direct costs and gross margin were as follows:

	Three Months Ended June 30, 2016			
	Temporary Contracting	Permanent Recruitment	Other	Total
Revenue	\$72,035	\$ 29,491	\$11,541	\$113,067
Direct costs (1)	62,956	611	2,661	66,228
Gross margin	\$9,079	\$ 28,880	\$8,880	\$46,839

	Three Months Ended June 30, 2015			
	Temporary Contracting	Permanent Recruitment	Other	Total
Revenue	\$80,389	\$ 31,873	\$10,481	\$122,743
Direct costs (1)	69,101	697	2,723	72,521
Gross margin	\$11,288	\$ 31,176	\$7,758	\$50,222

	Six Months Ended June 30, 2016			
	Temporary Contracting	Permanent Recruitment	Other	Total
Revenue	\$137,890	\$ 56,062	\$20,342	\$214,294
Direct costs (1)	120,178	1,185	4,830	126,193
Gross margin	\$17,712	\$ 54,877	\$15,512	\$88,101

	Six Months Ended June 30, 2015			
	Temporary Contracting	Permanent Recruitment	Other	Total
Revenue	\$166,969	\$ 59,979	\$20,112	\$247,060
Direct costs (1)	142,717	1,182	5,035	148,934
Gross margin	\$24,252	\$ 58,797	\$15,077	\$98,126

Direct costs in Temporary Contracting include the direct staffing costs of salaries, payroll taxes, employee benefits, travel expenses, rent and insurance costs for the Company's contractors and reimbursed out-of-pocket expenses and other direct costs. Permanent Recruitment and Other category include direct costs for out-of-pocket expenses and (1) third party suppliers. The region where services are provided, the mix of contracting and permanent recruitment, and the functional nature of the staffing services provided can affect gross margin. The salaries, commissions, payroll taxes and employee benefits related to recruitment professionals are included under the caption "Selling, general and administrative expenses" in the Condensed Consolidated Statement of Operations.

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HUDSON GLOBAL, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(in thousands, except share and per share amounts)

(unaudited)

NOTE 7 – STOCK-BASED COMPENSATION

Incentive Compensation Plan

The Company maintains the Hudson Global, Inc. 2009 Incentive Stock and Awards Plan, as amended and restated May 24, 2016 (the "ISAP"), pursuant to which it can issue equity-based compensation incentives to eligible participants. The ISAP permits the granting of stock options, restricted stock, restricted stock units, and other types of equity-based awards. The Compensation Committee of the Company's Board of Directors (the "Compensation Committee") will establish such conditions as it deems appropriate on the granting or vesting of stock options, restricted stock, restricted stock units and other types of equity-based awards. As determined by the Compensation Committee, equity awards also may be subject to immediate vesting upon the occurrence of certain events following a change in control of the Company. The Company primarily grants restricted stock and restricted stock units to its employees. A restricted stock unit is equivalent to one share of the Company's common stock and is payable only in common stock of the Company issued under the ISAP.

The Compensation Committee administers the ISAP and may designate any of the following as a participant under the ISAP: any officer or other employee of the Company or its affiliates or individuals engaged to become an officer or employee; consultants or other independent contractors who provide services to the Company or its affiliates; and non-employee directors of the Company. On May 24, 2016, the Company's stockholders approved an amendment and restatement of the ISAP to, among other things, increase the number of shares of the Company's common stock that are reserved for issuance by 2,400,000 shares. As of June 30, 2016, there were 2,559,784 shares of the Company's common stock available for future issuance under the ISAP.

The Company's stock plan agreements provide that a change in control of the Company will occur if, among other things, individuals who were directors as of the date of the agreement and any new director whose appointment or election was approved or recommended by a vote of at least two-thirds of the directors then in office who were either directors on the date of the agreement or whose appointment or election was previously so approved or recommended (each, a "continuing director") cease to constitute a majority of the Company's directors. A change in control occurred as of the Company's 2015 annual meeting of stockholders on June 15, 2015 under these agreements because continuing directors ceased to constitute a majority of the Company's directors. As a result, certain equity awards vested resulting in an accelerated stock-based compensation expense of \$2,541 for the three and six months ended June 30, 2015.

A summary of the quantity and vesting conditions for stock-based units granted to the Company's employees for the six months ended June 30, 2016 was as follows:

	Number of
	Restricted
Vesting conditions	Stock
	Units
	Granted
Performance and service conditions (1) (2)	500,000

(1) The performance conditions with respect to restricted stock units may be satisfied as follows:

(a) For employees from the Americas, Asia Pacific and Europe 80% of the restricted stock units may be earned on the basis of performance as measured by a "regional adjusted EBITDA," and 20% of the restricted stock units may be earned on the basis of performance as measured by a "group adjusted EBITDA"; and

(b) For employees from the Corporate office 100% of the restricted stock units may be earned on the basis of performance as measured by a "group adjusted EBITDA."

(2) To the extent restricted stock units are earned on the basis of performance, such restricted stock units will vest on the basis of service as follows:

(a) One-third of the restricted stock units will vest on the first anniversary of the grant date;

- (b) One-third of the restricted stock units will vest on the second anniversary of the grant date; and
One-third of the restricted stock units will vest on the third anniversary of the grant date; provided that, in each
- (c) case, the employee remains employed by the Company from the grant date through the applicable service vesting date.

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The Company also maintains the Director Deferred Share Plan (the "Director Plan") pursuant to which it can issue restricted stock units to its non-employee directors. A restricted stock unit is equivalent to one share of the Company's common stock and is payable only in common stock issued under the ISAP upon a director ceasing service as a member of the Board of Directors of the Company. The restricted stock units vest immediately upon grant and are credited to each of the non-employee director's retirement accounts under the Director Plan. Restricted stock units issued under the Director Plan contain the right to a dividend equivalent award in the form of additional restricted stock units. The dividend equivalent award is calculated using the same rate as the cash dividend paid on a share of the Company's common stock, and then divided by the closing price of the Company's common stock on the date the dividend is paid to determine the number of additional restricted stock units to grant. Dividend equivalent awards have the same vesting terms as the underlying awards. During the six months ended June 30, 2016, the Company granted 184,342 restricted stock units to its non-employee directors pursuant to the Director Plan.

For the three and six months ended June 30, 2016 and 2015, the Company's stock-based compensation expense related to stock options, restricted stock and restricted stock units were as follows:

	Three Months Ended		Six Months Ended	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
Stock options	\$5	\$—	\$10	\$—
Restricted stock	220	2,475	460	2,860
Restricted stock units	529	750	656	898
Total	\$754	\$3,225	\$1,126	\$3,758

Stock Options

Stock options granted by the Company generally expire between five and ten years after the date of grant and have an exercise price of at least 100% of the fair market value of the underlying share of common stock on the date of grant. As of June 30, 2016, the Company had approximately \$7 of unrecognized stock-based compensation expense related to outstanding unvested stock options. The Company expects to recognize that cost over a weighted average service period of 0.35 years.

Changes in the Company's stock options for the six months ended June 30, 2016 and 2015 were as follows:

	Six Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
	Number of Options	Weighted Average Exercise Price per Share	Number of Options	Weighted Average Exercise Price per Share
Options outstanding at January 1,	206,000	\$ 8.13	756,800	\$ 8.78
Expired/forfeited	(27,500)	15.86	(128,300)	13.66
Options outstanding at June 30,	178,500	\$ 6.94	628,500	\$ 7.79
Options exercisable at June 30,	153,500	\$ 7.67	628,500	\$ 7.79

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Restricted Stock

As of June 30, 2016, the Company had approximately \$218 of unrecognized stock-based compensation expense related to outstanding unvested restricted stock. The Company expects to recognize that cost over a weighted average service period of 0.30 years. Restricted stock awards have voting and dividend rights as of the grant date.

Changes in the Company's restricted stock for the six months ended June 30, 2016 and 2015 were as follows:

	Six Months Ended June 30,			
	2016	2015	Weighted	Weighted
	Number of	Number of	Average	Average
	Shares of	Shares of	Grant	Grant
	Restricted	Restricted	Date	Date
	Stock	Stock	Fair	Fair
			Value	Value
Unvested restricted stock at January 1,	680,000	803,999	\$ 1.60	\$ 3.00
Granted	—	1,090,100	—	2.12
Vested	—	(1,204,398)	—	2.90
Forfeited	(51,800)	(189,701)	0.79	3.14
Unvested restricted stock at June 30,	628,200	500,000	\$ 1.69	\$ 1.27

Restricted Stock Units

As of June 30, 2016, the Company had approximately \$920 of unrecognized stock-based compensation expense related to outstanding unvested restricted stock units. The Company expects to recognize that cost over a weighted average service period of 1.72 years. Restricted stock units granted to employees have no voting or dividend rights until the awards are vested.

Changes in the Company's restricted stock units for the six months ended June 30, 2016 and 2015 were as follows:

	Six Months Ended June 30,			
	2016	2015	Number of	Number of
	Restricted	Restricted	Average	Average
	Stock	Stock	Grant-Date	Grant-Date
	Units	Units	Fair Value	Fair Value
Unvested restricted stock units at January 1,	—	119,940	\$ —	\$ 3.57
Granted	684,342	320,122	2.67	2.50
Vested	(184,342)	(397,562)	2.33	2.75
Forfeited	—	(42,500)	—	3.21
Unvested restricted stock units at June 30,	500,000	—	\$ 2.79	\$ —

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Defined Contribution Plan and Employer-Matching Contributions

The Company maintains the Hudson Global, Inc. 401(k) Savings Plan (the "401(k) plan"). The 401(k) plan allows eligible employees to contribute up to 15% of their earnings to the 401(k) plan. The Company has the discretion to match employees' contributions up to 3% of the employees' earnings through a contribution of the Company's common stock or cash to the 401(k) plan. Vesting of the Company's contribution occurs over a five-year period. For the three and six months ended June 30, 2016 and 2015, the Company's current year expenses and contributions to satisfy the prior years' employer-matching liability for the 401(k) plan were as follows:

	Three Months Ended		Six Months Ended	
	June 30, 2016	2015	June 30, 2016	2015
(\$ in thousands, except otherwise stated)				
Expense recognized for the 401(k) plan	\$57	\$55	\$73	\$127
Contributions to satisfy prior years' employer-matching liability				
Number of shares of the Company's common stock issued (in thousands)	—	116	—	116
Market value per share of the Company's common stock on contribution date (in dollars)	\$—	\$2.71	\$—	\$2.71
Non-cash contribution made for employer matching liability	\$—	\$314	\$—	\$314
Cash contribution made for employer-matching liability	\$162	\$—	\$162	\$—
Total contribution made for employer-matching liability	\$162	\$314	\$162	\$314

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NOTE 8 – INCOME TAXES

Under ASC 270, "Interim Reporting", and ASC 740-270, "Income Taxes – Intra Period Tax Allocation", the Company is required to adjust its effective tax rate for each quarter to be consistent with the estimated annual effective tax rate. Jurisdictions with a projected loss for the full year where no tax benefit can be recognized are excluded from the calculation of the estimated annual effective tax rate. Applying the provisions of ASC 270 and ASC 740-270 could result in a higher or lower effective tax rate during a particular quarter, based upon the mix and timing of actual earnings versus annual projections.

Effective Tax Rate

The provision for income taxes for the six months ended June 30, 2016 was \$482 on a pre-tax loss from continuing operations of \$6,435, compared to a provision for income taxes of \$331 on pre-tax income from continuing operations of \$6,451 for the same period in 2015. The Company's effective income tax rate was negative 7.5% and positive 5.1% for the six months ended June 30, 2016 and 2015, respectively. For the six months ended June 30, 2016, the effective tax rate differed from the U.S. Federal statutory rate of 35% primarily due to the inability of the Company to recognize tax benefits on certain losses until positive earnings are achieved in the U.S. and certain other foreign jurisdictions, non-deductible expenses, and variations from the U.S. tax rate in foreign jurisdictions. For the six months ended June 30, 2015, the effective tax rate differed from the U.S. Federal statutory rate of 35% due to the foreign tax exemptions applicable to gains on sale or exit of businesses, the inability of the Company to recognize tax benefits on losses until positive earnings are achieved in the U.S. and certain other foreign jurisdictions, non-deductible expenses, and variations from the U.S. tax rate in foreign jurisdictions.

Uncertain Tax Positions

As of June 30, 2016 and December 31, 2015, the Company had \$2,240 and \$2,279, respectively, of unrecognized tax benefits, including interest and penalties, which if recognized in the future, would lower the Company's annual effective income tax rate. Accrued interest and penalties were \$563 and \$536 as of June 30, 2016 and December 31, 2015, respectively. Estimated interest and penalties are classified as part of the provision for income taxes in the Company's Condensed Consolidated Statement of Operations and totaled to a provision of \$11 and \$34 for the six months ended June 30, 2016 and 2015, respectively.

In many cases, the Company's unrecognized tax benefits are related to tax years that remain subject to examination by the relevant tax authorities. Tax years with net operating losses ("NOLs") remain open until such losses expire or until the statutes of limitations for those years when the NOLs are used expire. As of June 30, 2016, the Company's open tax years, which remain subject to examination by the relevant tax authorities, were principally as follows:

	Year
Earliest tax years which remain subject to examination by the relevant tax authorities:	
U.S. Federal	2012
Majority of U.S. state and local jurisdictions	2011
United Kingdom	2014
Australia	2011
Majority of other non-U.S. jurisdictions	2010

The Company believes that its tax reserves are adequate for all years that remain subject to examination or are currently under examination.

Based on information available as of June 30, 2016, it is reasonably possible that the total amount of unrecognized tax benefits could decrease in the range of \$200 to \$500 over the next 12 months as a result of projected resolutions of global tax examinations and controversies and potential expirations of the applicable statutes of limitations.

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NOTE 9 – EARNINGS (LOSS) PER SHARE

Basic earnings (loss) per share is computed by dividing the Company's net income (loss) by the weighted average number of shares outstanding during the period. When the effects are not anti-dilutive, diluted earnings (loss) per share is computed by dividing the Company's net income (loss) by the weighted average number of shares outstanding and the impact of all dilutive potential common shares, primarily stock options "in-the-money", unvested restricted stock and unvested restricted stock units. The dilutive impact of stock options, unvested restricted stock, and unvested restricted stock units is determined by applying the "treasury stock" method. Performance-based restricted stock awards are included in the computation of diluted earnings per share only to the extent that the underlying performance conditions: (i) are satisfied prior to the end of the reporting period; or (ii) would be satisfied if the end of the reporting period were the end of the related performance period and the result would be dilutive under the treasury stock method. Stock awards subject to vesting or exercisability based on the achievement of market conditions are included in the computation of diluted earnings per share only when the market conditions are met.

A reconciliation of the numerators and denominators of the basic and diluted earnings (loss) per share calculations for the three and six months ended June 30, 2016 and 2015 were as follows:

	Three Months		Six Months	
	Ended June 30,		Ended June 30,	
	2016	2015	2016	2015
Earnings (loss) per share ("EPS"):				
EPS - basic and diluted:				
Income (loss) from continuing operations	\$(0.10)	\$0.38	\$(0.21)	\$0.18
Income (loss) from discontinued operations	0.01	0.03	0.01	0.03
Net income (loss)	\$(0.09)	\$0.41	\$(0.20)	\$0.21
EPS numerator - basic and diluted:				
Income (loss) from continuing operations	\$(3,347)	\$12,774	\$(6,917)	\$6,120
Income (loss) from discontinued operations	209	1,103	292	919
Net income (loss)	\$(3,138)	\$13,877	\$(6,625)	\$7,039
EPS denominator (in thousands):				
Weighted average common stock outstanding - basic	33,252	33,525	33,434	33,296
Common stock equivalents: stock options and other stock-based awards (a)	—	—	—	—
Weighted average number of common stock outstanding - diluted	33,252	33,525	33,434	33,296

For the periods in which net losses are presented, the diluted weighted average number of shares of common stock outstanding did not differ from the basic weighted average number of shares of common stock outstanding because (a) the effects of any potential common stock equivalents (see Note 7 for further details on outstanding stock options, unvested restricted stock units and unvested restricted stock) were anti-dilutive and therefore not included in the calculation of the denominator of dilutive earnings per share.

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The weighted average number of shares outstanding used in the computation of diluted net income (loss) per share for the three and six months ended June 30, 2016 and 2015 did not include the effect of the following potentially outstanding shares of common stock because the effect would have been anti-dilutive:

	Three Months Ended		Six Months Ended	
	June 30, 2016	2015	June 30, 2016	2015
Unvested restricted stock	330,000	500,000	330,000	500,000
Unvested restricted stock units	39,458	—	39,458	—
Stock options	178,500	628,500	178,500	628,500
Total	547,958	1,128,500	547,958	1,128,500

NOTE 10 – RESTRICTED CASH

A summary of the Company's restricted cash included in the accompanying Condensed Consolidated Balance Sheets as of June 30, 2016 and December 31, 2015 was as follows:

	June 30, December 31,	
	2016	2015
Included under the caption "Prepaid and other":		
Client guarantees	\$ 128	\$ 118
Other	113	110
Total amount under the caption "Prepaid and other"	\$ 241	\$ 228
Included under the caption "Other assets":		
Collateral accounts	\$ 558	\$ 229
Rental deposits	416	480
Total amount under the caption "Other assets"	\$ 974	\$ 709
Total restricted cash	\$ 1,215	\$ 937

Collateral accounts primarily include deposits held under a collateral trust agreement, which supports the Company's workers' compensation policy and an outstanding letter of credit in the U.S. The rental deposits with banks include amounts held as guarantees from subtenants in the U.K. Client guarantees were held in banks in Belgium as deposits for various client projects. Other primarily includes bank guarantee for licensing in Switzerland.

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NOTE 11 – PROPERTY AND EQUIPMENT, NET

As of June 30, 2016 and December 31, 2015, property and equipment, net, was as follows:

	June 30, December 31,	
	2016	2015
Computer equipment	\$ 6,224	\$ 5,911
Furniture and equipment	1,968	2,668
Capitalized software costs	17,686	17,946
Leasehold improvements	14,656	15,522
	40,534	42,047
Less: accumulated depreciation and amortization	33,149	34,119
Property and equipment, net	\$ 7,385	\$ 7,928

The Company had expenditures of approximately \$603 and \$513 for acquired property and equipment, mainly consisting of software, furniture and fixtures and leasehold improvements, which had not been placed in service as of June 30, 2016 and December 31, 2015, respectively. Depreciation expense is not recorded for such assets until they are placed in service.

Non-Cash Capital Expenditures

The Company has acquired certain computer equipment under capital lease agreements. The current portion of the capital lease obligations are included under the caption "Accrued expenses and other current liabilities" in the Condensed Consolidated Balance Sheets as of June 30, 2016 and December 31, 2015 and the non-current portion of the capital lease obligations are included under the caption "Other non-current liabilities" in the Condensed Consolidated Balance Sheets as of June 30, 2016 and December 31, 2015. A summary of the Company's equipment acquired under capital lease agreements were as follows:

	June 30, December 31,	
	2016	2015
Capital lease obligation, current	\$ 65	\$ 62
Capital lease obligation, non-current	\$ 190	\$ 229

NOTE 12 – GOODWILL

The following is a summary of the changes in the carrying value of the Company's goodwill, which was included under the caption "Other Assets" in the accompanying Condensed Consolidated Balance Sheets, as of June 30, 2016 and December 31, 2015. The goodwill related to the earn-out payment made in 2010 for the Company's 2007 acquisition of the businesses of Tong Zhi (Beijing) Consulting Service Ltd and Guangzhou Dong Li Consulting Service Ltd. The goodwill is recorded in the Asia Pacific segment.

	Carrying Value 2016
Goodwill, January 1, \$1,938	
Currency translation (43)	
Goodwill, June 30, \$1,895	

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NOTE 13 – BUSINESS REORGANIZATION EXPENSES

The Company initiated and executed certain strategic actions requiring business reorganization expenses ("2016 Exit Plan"). Business exit costs associated with the 2016 Exit Plan primarily consisted of employee termination benefits, lease termination payments and costs for elimination of contracts for certain discontinued services and locations.

The Board previously approved other reorganization plans in prior years (the "Previous Plans"). Business exit costs associated with Previous Plans primarily consisted of employee termination benefits, lease termination payments and costs for elimination of contracts for certain discontinued services and locations.

For the six months ended June 30, 2016, restructuring charges associated with these initiatives primarily included employee separation costs in Europe and Asia Pacific and lease termination payments for rationalized offices in Europe under the 2016 Exit Plan and Previous Plans. Business reorganization expenses for the three and six months ended June 30, 2016 and 2015 by plan were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Previous Plans	\$60	\$1,972	\$283	\$3,315
2016 Exit Plan	84	—	498	—
Total reorganization expenses in continuing operations	\$144	\$1,972	\$781	\$3,315

The following table contains amounts for Changes in Estimate, Additional Charges, and Payments related to the 2016 Exit Plan and Previous Plans that were incurred or recovered during the six months ended June 30, 2016 in continuing operations. The amounts in the "Changes in Estimate" and "Additional Charges" columns are classified as business reorganization expenses in the Company's Condensed Consolidated Statement of Operations. Amounts in the "Payments" column represent primarily the cash payments associated with the 2016 Exit Plan and Previous Plans. Changes in the accrued business reorganization expenses for the six months ended June 30, 2016 were as follows:

	December 31, 2015	Changes in Estimate	Additional Charges	Payments	June 30, 2016
Lease termination payments	\$ 2,970	\$ 215	\$ 190	\$(769)	\$ 2,606
Employee termination benefits	1,186	(40)	305	(937)	514
Other associated costs	208	(17)	127	(318)	—
Total	\$ 4,364	\$ 158	\$ 622	\$(2,024)	\$ 3,120

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NOTE 14 – COMMITMENTS AND CONTINGENCIES

Consulting, Employment and Non-compete Agreements

The Company has entered into various consulting and employment agreements with certain key members of management. These agreements generally (i) are one year in length, (ii) contain restrictive covenants, (iii) under certain circumstances, provide for compensation and, subject to providing the Company with a release, severance payments, and (iv) are automatically renewed annually unless either party gives sufficient notice of termination.

Litigation and Complaints

The Company is subject, from time to time, to various claims, lawsuits, contracts disputes and other complaints from, for example, clients, candidates, suppliers, landlords for both leased and subleased properties, former and current employees, and regulators or tax authorities arising in the ordinary course of business. The Company routinely monitors claims such as these, and records provisions for losses when the claim becomes probable and the amount due is estimable. Although the outcome of these claims cannot be determined, the Company believes that the final resolution of these matters will not have a material adverse effect on the Company's financial condition, results of operations or liquidity.

For matters that have reached the threshold of probable and estimable, the Company has established reserves for legal, regulatory and other contingent liabilities. The Company's reserves were \$111 and \$109 as of June 30, 2016 and December 31, 2015, respectively.

Costs Associated with Termination

As previously disclosed, in May 2015, the Company incurred compensation and benefits obligations to its former Chairman and Chief Executive Officer, Manuel Marquez, under his employment agreement, dated March 7, 2011, in connection with the Company providing Mr. Marquez notice of non-renewal of his employment agreement, which is treated as a termination without cause. The Company had accrued \$747 as of March 31, 2016 in connection with compensation and benefits Mr. Marquez was entitled to upon a termination without cause, subject to his execution of a release. Mr. Marquez did not agree with the Company's treatment of compensation and benefits under his employment agreement and, in August 2015, filed an arbitration claim against the Company for additional amounts of up to approximately \$2,000 and reimbursement of his legal fees.

On May 27, 2016, the arbitrator issued his decision on Mr. Marquez's claim and awarded Mr. Marquez approximately \$1,800 in additional compensation and benefits and approximately \$700 toward the reimbursement of a portion of his legal fees incurred pursuing his claim, \$265 of which legal fees the Company had previously paid by March 31, 2016. For the three and six months ended June 30, 2016, the Company recorded an additional charge of \$2,514 and \$3,025, respectively for the resolution of this arbitration.

Asset Retirement Obligations

The Company has certain asset retirement obligations that are primarily the result of legal obligations for the removal of leasehold improvements and restoration of premises to their original condition upon termination of leases. The asset retirement obligations are included under the caption "Other non-current liabilities" in the Condensed Consolidated Balance Sheets. The Company's asset retirement obligations that are included in the Condensed Consolidated Balance Sheets as of June 30, 2016 and December 31, 2015 were as follows:

	June 30, December 31,	
	2016	2015
Total asset retirement obligations	\$ 1,971	\$ 1,962

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NOTE 15 – CREDIT AGREEMENTS

Receivables Finance Agreement with Lloyds Bank Commercial Finance Limited and Lloyds Bank PLC

On August 1, 2014, the Company's U.K. subsidiary ("U.K. Borrower") entered into a receivables finance agreement for an asset-based lending funding facility (the "Lloyds Agreement") with Lloyds Bank PLC and Lloyds Bank Commercial Finance Limited (together, "Lloyds"). The Lloyds Agreement provides the U.K. Borrower with the ability to borrow up to \$19,967 (£15,000). Extensions of credit are based on a percentage of the eligible accounts receivable less required reserves from the Company's U.K. operations. The initial term is two years with renewal periods every three months thereafter. Borrowings under this facility are secured by substantially all of the assets of the U.K. Borrower.

The credit facility under the Lloyds Agreement contains two tranches. The first tranche is a revolving facility based on the billed temporary contracting and permanent recruitment activities in the U.K. operations ("Lloyds Tranche A"). The borrowing limit of Lloyds Tranche A is \$15,973 (£12,000) based on 83% of eligible billed temporary contracting and permanent recruitment receivables. The second tranche is a revolving facility that is based on the unbilled work-in-progress (as defined under the receivables finance agreement) activities in the Company's U.K. operations ("Lloyds Tranche B"). The borrowing limit of Lloyds Tranche B is \$3,993 (£3,000) based on 75% of eligible work-in-progress from temporary contracting and 25% of eligible work-in-progress from permanent recruitment activities. For both tranches, borrowings may be made with an interest rate based on a base rate as determined by Lloyds Bank PLC, based on the Bank of England base rate, plus 1.75%.

The Lloyds Agreement contains various restrictions and covenants including (1) that true credit note dilution may not exceed 5%, measured at audit on a regular basis; (2) debt turn may not exceed 55 days over a three month rolling period; (3) dividends by the U.K. Borrower to the Company are restricted to the value of post-tax profits; and (4) at the end of each month, there must be a minimum excess availability of \$2,662 (£2,000).

The details of the Lloyds Agreement as of June 30, 2016 were as follows:

	June 30,
	2016
Borrowing capacity	\$8,607
Less: outstanding borrowing	—
Additional borrowing availability	\$8,607
Interest rates on outstanding borrowing	2.25 %

The Company was in compliance with all financial covenants under the Lloyds Agreement as of June 30, 2016.

Facility Agreement with National Australia Bank Limited

On October 30, 2015, Hudson Global Resources (Aust) Pty Limited ("Hudson Australia") and Hudson Global Resources (NZ) Limited ("Hudson New Zealand"), both subsidiaries of Hudson Global, Inc., entered into a Finance Agreement, dated as of October 27, 2015 (the "Finance Agreement"), with National Australia Bank Limited ("NAB"), a NAB Corporate Receivables Facility Agreement, dated as of October 27, 2015 (the "Australian Receivables Agreement"), with NAB and a BNZ Corporate Receivables Facility Agreement, dated as of October 27, 2015 (the "New Zealand Receivables Agreement"), with Bank of New Zealand ("BNZ").

The Finance Agreement provides a bank guarantee facility of up to \$2,235 (AUD 3,000) for Hudson Australia and Hudson New Zealand. The Finance Agreement matures and becomes due and payable on October 27, 2018. A fee equal to 1.5% per annum will be charged on each bank guarantee issued under the Finance Agreement. The Finance Agreement bears a fee, payable semiannually in arrears, equal to 0.3% per annum of NAB's commitment under the Finance Agreement.

The Australian Receivables Agreement provides a receivables facility of up to \$18,625 (AUD 25,000) for Hudson Australia, which is based on an agreed percentage of eligible accounts receivable, and of which up to \$2,980 (AUD 4,000) may be used to support the working capital requirements of operations in China, Hong Kong and Singapore. The Australian Receivables Agreement does not have a stated maturity date and can be terminated by Hudson Australia or NAB upon 90 days written notice. Borrowings under the Australian Receivables Agreement may be made with an interest rate based on a market

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rate plus a margin of 1.5% per annum. The Australian Receivable Agreement bears a fee, payable monthly in advance, equal to \$5 (AUD 6) per month.

The New Zealand Receivables Agreement provides a receivables facility of up to \$3,568 (NZD 5,000) for Hudson New Zealand, which is based on an agreed percentage of eligible accounts receivable. The New Zealand Receivables Agreement does not have a stated maturity date and can be terminated by Hudson New Zealand or BNZ upon 90 days written notice. Borrowings under the New Zealand Receivables Agreement may be made with an interest rate based on a market rate. The New Zealand Receivables Agreement bears a fee, payable monthly in advance, equal to \$1 (NZD 1) per month.

The details of the Finance Agreement, Australian Receivables Agreement and New Zealand Receivables Agreement as of June 30, 2016 were as follows:

	June 30, 2016
Finance Agreement:	
Financial guarantee capacity	\$2,235
Less: outstanding financial guarantees	(1,852)
Additional availability for financial guarantees	\$383
Interest rates on outstanding financial guarantees	1.80 %
Australian Receivables Agreement:	
Borrowing capacity	\$14,853
Less: outstanding borrowing	(7,163)
Additional borrowing availability	\$7,690
Interest rates on outstanding borrowing	3.40 %
New Zealand Receivables Agreement:	
Borrowing capacity	\$2,263
Less: outstanding borrowing	—
Additional borrowing availability	\$2,263
Interest rates on outstanding borrowing	4.38 %

Amounts owing under the Finance Agreement, the Australian Receivables Agreement and the New Zealand Receivables Agreement are secured by substantially all of the assets of Hudson Australia and Hudson New Zealand. Each of the Finance Agreement, the Australian Receivables Agreement and the New Zealand Receivables Agreement contains various restrictions and covenants applicable to Hudson Australia and Hudson New Zealand, including: a requirement that Hudson Australia and Hudson New Zealand maintain (1) a minimum Fixed Charge Coverage Ratio (as defined in the NAB Facility Agreement) of 1.50x as of the last day of each calendar quarter; and (2) a minimum Receivables Ratio (as defined by the NAB Facility Agreement) of 1.20x.

The Company was in compliance with all financial covenants under the NAB Facility Agreement as of June 30, 2016.

Other Credit Agreements

The Company also has lending arrangements with local banks through its subsidiaries in Belgium and Singapore. The Belgium subsidiary has a \$1,111 (€1,000) overdraft facility. Borrowings under the Belgium arrangement may be made

using an interest rate based on the one-month EURIBOR plus a margin, and the interest rate was 2.75% as of June 30, 2016. The lending arrangement in Belgium has no expiration date and can be terminated with a 15-day notice period. In Singapore, the Company's subsidiary can borrow up to \$148 (SGD 200) for working capital purposes. Interest on borrowings under the Singapore overdraft facility is based on the Singapore Prime Rate plus a margin of 1.75%, and it was 6.00% on June 30, 2016. The

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Singapore overdraft facility expires annually each August, but can be renewed for one year periods at that time. There were no outstanding borrowings under the Belgium and Singapore lending agreements as of June 30, 2016.

The average aggregate monthly outstanding borrowings under the Lloyds Agreement, NAB Facility Agreement and the credit agreements in Belgium and Singapore were \$8,187 for the six months ended June 30, 2016. The weighted average interest rate on all outstanding borrowings for the six months ended June 30, 2016 was 3.56%.

The Company continues to use the aforementioned credit to support its ongoing global working capital requirements, capital expenditures and other corporate purposes and to support letters of credit. Letters of credit and bank guarantees are used primarily to support office leases.

NOTE 16 – ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

Accumulated other comprehensive income (loss), net of tax, consisted of the following:

	June 30, 2016	December 31, 2015
Foreign currency translation adjustments	\$8,995	\$ 10,159
Pension plan obligations	126	133
Accumulated other comprehensive income (loss)	\$9,121	\$ 10,292

As a result of the sale of the Netherlands business and substantially complete liquidation of certain foreign owned entities, the net foreign currency translation loss transferred from accumulated other comprehensive income and included in determining net income (loss) was \$0 and \$299 for the three and six months ended June 30, 2016 and 2015, respectively. See Note 4 and 5 regarding the substantially complete liquidation of certain foreign owned entities and the sale of the Netherlands business.

NOTE 17 – STOCKHOLDERS' EQUITY

In December 2015, the Company's Board of Directors determined that the Company intends to pay a regular, quarterly cash dividend on its common stock. The Company's Board of Directors declared a cash dividend of \$0.05 per share paid on June 24, 2016 to shareholders of record as of June 14, 2016. Prior to that, a cash dividend of \$0.05 per share was paid on March 25, 2016 to shareholders of record as of March 15, 2016. As a result, for the three and six months ended June 30, 2016, the Company paid \$1,688 and \$3,401, respectively, in dividends to shareholders. The cash dividend payments are applied to accumulated deficit.

On July 30, 2015, the Company announced that its Board of Directors authorized the repurchase of up to \$10,000 of the Company's common stock. The Company intends to make purchases from time to time as market conditions warrant. This authorization does not expire. During the three and six months ended June 30, 2016, the Company repurchased 582,510 and 948,623 shares for a total cost of \$1,366 and \$2,352, respectively. As of June 30, 2016, under the July 30, 2015 authorization, the Company had repurchased 1,476,257 shares for a total cost of \$3,738.

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NOTE 18 – SEGMENT AND GEOGRAPHIC DATA

Segment Reporting

The Company operates in three reportable segments: the Hudson regional businesses of Hudson Americas, Hudson Asia Pacific, and Hudson Europe. Corporate expenses are reported separately from the three reportable segments and pertain to certain functions, such as executive management, corporate governance, human resources, accounting, administration, tax and treasury, the majority of which are attributable to and have been allocated to the reportable segments. Segment information is presented in accordance with ASC 280, "Segments Reporting." This standard is based on a management approach that requires segmentation based upon the Company's internal organization and disclosure of revenue and certain expenses 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 U.S. GAAP. Accounts receivable, net and long-lived assets are the only significant assets separated by segment for internal reporting purposes.

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	Hudson Americas	Hudson Asia Pacific	Hudson Europe	Corporate	Elimination	Total
For The Three Months Ended June 30, 2016						
Revenue, from external customers	\$ 3,661	\$ 62,039	\$ 47,367	\$ —	\$ —	\$ 113,067
Inter-segment revenue	(22)	(1)	86	—	(63)	—
Total revenue	\$ 3,639	\$ 62,038	\$ 47,453	\$ —	\$ (63)	\$ 113,067
Gross margin, from external customers	\$ 3,180	\$ 22,416	\$ 21,243	\$ —	\$ —	\$ 46,839
Inter-segment gross margin	(25)	(62)	87	—	—	—
Total gross margin	\$ 3,155	\$ 22,354	\$ 21,330	\$ —	\$ —	\$ 46,839
Business reorganization expenses (recovery)	\$ (22)	\$ 77	\$ 109	\$ (20)	\$ —	\$ 144
EBITDA (loss) (a)	\$ (178)	\$ 575	\$ 1,553	\$ (3,583)	\$ —	\$ (1,633)
Depreciation and amortization	8	435	193	169	—	805
Intercompany interest income (expense), net	—	—	(58)	58	—	—
Interest income (expense), net	—	(88)	(9)	(4)	—	(101)
Income (loss) from continuing operations before income taxes	\$ (186)	\$ 52	\$ 1,293	\$ (3,698)	\$ —	\$ (2,539)
For The Six Months Ended June 30, 2016						
Revenue, from external customers	\$ 7,498	\$ 113,110	\$ 93,686	\$ —	\$ —	\$ 214,294
Inter-segment revenue	(22)	—	147	—	(125)	—
Total revenue	\$ 7,476	\$ 113,110	\$ 93,833	\$ —	\$ (125)	\$ 214,294
Gross margin, from external customers	\$ 6,520	\$ 41,187	\$ 40,394	\$ —	\$ —	\$ 88,101
Inter-segment gross margin	(25)	(121)	146	—	—	—
Total gross margin	\$ 6,495	\$ 41,066	\$ 40,540	\$ —	\$ —	\$ 88,101
Gain on sale and exit of businesses	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Business reorganization expenses (recovery)	\$ (38)	\$ 274	\$ 593	\$ (48)	\$ —	\$ 781
EBITDA (loss) (a)	\$ (15)	\$ (656)	\$ 1,223	\$ (5,339)	\$ —	\$ (4,787)
Depreciation and amortization	31	838	376	248	—	1,493
Intercompany interest income (expense), net	—	—	(115)	115	—	—
Interest income (expense), net	—	(128)	(23)	(4)	—	(155)
Income (loss) from continuing operations before income taxes	\$ (46)	\$ (1,622)	\$ 709	\$ (5,476)	\$ —	\$ (6,435)
As of June 30, 2016						
Accounts receivable, net	\$ 2,637	\$ 35,272	\$ 29,459	\$ —	\$ —	\$ 67,368
Long-lived assets, net of accumulated depreciation and amortization	\$ 20	\$ 7,323	\$ 1,506	\$ 516	\$ —	\$ 9,365
Total assets	\$ 5,793	\$ 55,990	\$ 51,663	\$ 2,482	\$ —	\$ 115,928

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	Hudson Americas	Hudson Asia Pacific	Hudson Europe	Corporate	Inter- segment elimination	Total
For The Three Months Ended June 30, 2015						
Revenue, from external customers	\$ 10,183	\$ 57,374	\$ 55,186	\$—	\$ —	\$ 122,743
Inter-segment revenue	—	—	231	—	(231)	—
Total revenue	\$ 10,183	\$ 57,374	\$ 55,417	\$—	\$ (231)	\$ 122,743
Gross margin, from external customers	\$ 5,081	\$ 23,819	\$ 21,322	\$—	\$ —	\$ 50,222
Inter-segment gross margin	(2)	(207)	209	—	—	—
Total gross margin	\$ 5,079	\$ 23,612	\$ 21,531	\$—	\$ —	\$ 50,222
Gain on sale and exit of businesses	\$ 15,938	\$—	\$ 4,067	\$—	\$ —	\$ 20,005
Business reorganization expenses (recovery)	\$(5)	\$ 325	\$ 520	\$ 1,220	\$ —	\$ 2,060
EBITDA (loss) (a)	\$ 15,444	\$(630)	\$ 3,449	\$(3,686)	\$ —	\$ 14,577
Depreciation and amortization	106	572	219	77	—	974
Intercompany interest income (expense), net	—	—	(138)	134	4	—
Interest income (expense), net	(310)	(42)	(14)	(3)	—	(369)
Income (loss) from continuing operations before income taxes	\$ 15,028	\$(1,244)	\$ 3,078	\$(3,632)	\$ 4	\$ 13,234
For The Six Months Ended June 30, 2015						
Revenue, from external customers	\$ 21,161	\$ 110,514	\$ 115,385	\$—	\$ —	\$ 247,060
Inter-segment revenue	—	—	246	—	(246)	—
Total revenue	\$ 21,161	\$ 110,514	\$ 115,631	\$—	\$ (246)	\$ 247,060
Gross margin, from external customers	\$ 9,702	\$ 44,697	\$ 43,727	\$—	\$ —	\$ 98,126
Inter-segment gross margin	(9)	(239)	248	—	—	—
Total gross margin	\$ 9,693	\$ 44,458	\$ 43,975	\$—	\$ —	\$ 98,126
Gain on sale and exit of businesses	\$ 15,938	\$—	\$ 4,067	\$—	\$ —	\$ 20,005
Business reorganization expenses (recovery)	\$ 417	\$ 333	\$ 1,400	\$ 1,253	\$ —	\$ 3,403
EBITDA (loss) (a)	\$ 13,814	\$ 173	\$ 1,298	\$(6,300)	\$ —	\$ 8,985
Depreciation and amortization	208	1,243	446	188	—	2,085
Intercompany interest income (expense), net	—	—	(268)	268	—	—
Interest income (expense), net	(344)	(83)	(19)	(3)	—	(449)
Income (loss) from continuing operations before income taxes	\$ 13,262	\$(1,153)	\$ 565	\$(6,223)	\$ —	\$ 6,451
As of June 30, 2015						
Accounts receivable, net	\$ 7,155	\$ 30,383	\$ 37,973	\$—	\$ —	\$ 75,511
Long-lived assets, net of accumulated depreciation and amortization	\$ 443	\$ 7,090	\$ 1,973	\$ 755	\$ —	\$ 10,261
Total assets	\$ 9,202	\$ 49,717	\$ 58,580	\$ 19,751	\$ —	\$ 137,250

(a) Securities and Exchange Commission ("SEC") Regulation S-K Item 229.10(e)1(ii)(A) defines EBITDA as earnings before interest, taxes, depreciation and amortization. EBITDA is presented to provide additional information to investors about the Company's operations on a basis consistent with the measures that the Company uses to manage its operations and evaluate its performance. Management also uses this measurement to evaluate working capital

requirements. EBITDA should not be considered in isolation or as a substitute for operating income and net income prepared in accordance with U.S. GAAP or as a measure of the Company's profitability.

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Geographic Data Reporting

A summary of revenues for the six months ended June 30, 2016 and 2015 and long-lived assets and net assets by geographic area as of June 30, 2016 and 2015 were as follows:

	United Kingdom	Australia	United States	Continental Europe	Other Asia Pacific	Other Americas	Total
For The Three Months Ended June 30, 2016							
Revenue (a)	\$ 32,464	\$ 47,882	\$ 3,462	\$ 14,903	\$ 14,157	\$ 199	\$ 113,067
For The Three Months Ended June 30, 2015							
Revenue (a)	\$ 39,640	\$ 41,340	\$ 10,022	\$ 15,547	\$ 16,033	\$ 161	\$ 122,743
For The Six Months Ended June 30, 2016							
Revenue (a)	\$ 66,661	\$ 87,014	\$ 7,096	\$ 27,026	\$ 26,095	\$ 402	\$ 214,294
For The Six Months Ended June 30, 2015							
Revenue (a)	\$ 77,980	\$ 80,381	\$ 20,849	\$ 37,405	\$ 30,133	\$ 312	\$ 247,060
As of June 30, 2016							
Long-lived assets, net of accumulated depreciation and amortization (b)	\$ 1,317	\$ 4,268	\$ 544	\$ 180	\$ 3,056	\$ —	\$ 9,365
Net assets	\$ 14,221	\$ 9,450	\$ 2,037	\$ 8,987	\$ 14,141	\$ (79)	\$ 48,757
As of June 30, 2015							
Long-lived assets, net of accumulated depreciation and amortization (b)	\$ 1,874	\$ 4,473	\$ 1,191	\$ 90	\$ 2,617	\$ 16	\$ 10,261
Net assets	\$ 17,205	\$ 11,309	\$ 18,902	\$ 9,079	\$ 12,172	\$ (52)	\$ 68,615

(a) Revenue by geographic region disclosed above is net of any inter-segment revenue and, therefore, represents only revenue from external customers according to the location of the operating subsidiary.

(b) Comprised of property and equipment and goodwill. Corporate assets are included in the United States.

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

This Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") should be read in conjunction with the Condensed Consolidated Financial Statements and the notes thereto, included in Item 1 of this Form 10-Q. The reader should also refer to the Consolidated Financial Statements and notes of Hudson Global, Inc. and its subsidiaries (the "Company") filed in its Annual Report on Form 10-K for the year ended December 31, 2015. This MD&A contains forward-looking statements. Please see "FORWARD-LOOKING STATEMENTS" for a discussion of the uncertainties, risks and assumptions associated with these statements. This MD&A also uses the non-generally accepted accounting principle measure of earnings before interest, taxes, depreciation and amortization ("EBITDA"). See Note 18 of this Form 10-Q to the Condensed Consolidated Financial Statements for EBITDA segment reconciliation information.

This MD&A includes the following sections:

- Executive Overview
- Results of Operations
- Liquidity and Capital Resources
- Contingencies
- Recent Accounting Pronouncements
- Critical Accounting Policies
- Forward-Looking Statements

Executive Overview

The Company has expertise in recruiting mid-level professional talent across all management disciplines in a wide range of industries. The Company matches clients and candidates to address client needs on a part time, full time and interim basis. Part of that expertise is derived from research on hiring trends and the Company's clients' current successes and challenges with their staff. This research has helped enhance the Company's understanding about the number of new hires that do not meet its clients' long-term goals, the reasons why, and the resulting costs to the Company's clients. With operations in 12 countries and relationships with specialized professionals around the globe, the Company brings a strong ability to match talent with opportunities by assessing, recruiting, developing and engaging the best and brightest people for the Company's clients. The Company combines broad geographic presence, world-class talent solutions and a tailored, consultative approach to help businesses and professionals achieve maximum performance. The Company's focus is to continually upgrade its service offerings, delivery capability and assessment tools to make candidates more successful in achieving its clients' business requirements.

The Company's proprietary frameworks, assessment tools and leadership development programs, coupled with its broad geographic footprint, have allowed the Company to design and implement regional and global recruitment solutions that the Company believes greatly enhance the quality of its clients' hiring.

To accelerate the implementation of the Company's strategy, the Company engaged in the following initiatives:

- Investing in the core businesses and practices that present the greatest potential for profitable growth.
- Facilitating growth and development of the global RPO business.
- Improving further the Company's cost structure and efficiency of its support functions and infrastructure.
- Building and differentiating the Company's brand through its unique talent solutions offerings.

Current Market Conditions

Economic conditions in most of the world's major markets remain mixed. Conditions in Europe have shown improvement with GDP growth in most of the major markets, as well as forecasted GDP growth for the remainder of 2016. In the U.K., uncertainty around the impact of the EU referendum may impact future GDP growth. Australia faces a slow growth outlook for the remainder of 2016, while the outlook for Asia is uncertain given China's slowing growth outlook. The Company

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closely monitors the economic environment and business climate in its markets and responds accordingly. At this time, the Company is unable to accurately predict the outcome of these events or changes in general economic conditions and their effect on the demand for the Company's services.

Financial Performance

The Company achieved mixed financial performance for the second quarter of 2016 in most of the major markets in which it operates. On a constant currency basis, for the three months ended June 30, 2016, revenue and gross margin declined by \$5.0 million and \$1.9 million, or 4.2% and 4.0%, respectively, compared to the same period in 2015. A primary driver of the decline was the prior year divestitures of the Netherlands, US IT, Luxembourg and Central and Eastern Europe businesses. The following table reconciles the change in reported revenue and gross margin for the quarter:

	Three Months Ended June 30, 2016	
	Change in Revenue on a Constant Currency Basis	Change in Gross Margin on a Constant Currency Basis
\$ in thousands		
Netherlands decrease	\$(3,201)	\$(654)
US IT business decrease	(6,227)	(1,614)
Luxembourg decrease	(51)	—
Retained businesses increase	4,470	338
Reported change	\$(5,009)	\$(1,930)

The Company experienced an overall increase in revenue and gross margin for its retained businesses in the second quarter of 2016 on a constant currency basis. This was driven by increases in revenue in Australia and Belgium as the Company continued to see strong recruitment and RPO results in these markets. These increases were partially offset by revenue declines in the U.K. and China.

The following is a summary of the highlights for the three and six months ended June 30, 2016 and 2015. This summary should be considered in the context of the additional disclosures in this MD&A which further highlight the results by segment including the impact of the divestitures discussed above.

Revenue was \$113.1 million for the three months ended June 30, 2016, compared to \$122.7 million for the same period in 2015, a decrease of \$9.7 million, or 7.9%.

On a constant currency basis, the Company's revenue decreased \$5.0 million, or 4.2%, mainly due to decreases of \$4.8 million in contracting revenue (down 6.2% compared to the same period in 2015) and \$1.4 million in permanent recruitment revenue (down 4.5% compared to the same period in 2015) partially offset by an increase of \$1.2 million in talent management revenue (up 12.2% compared to the same period in 2015).

Revenue was \$214.3 million for the six months ended June 30, 2016, compared to \$247.1 million for the same period in 2015, a decrease of \$32.8 million, or 13.3%.

On a constant currency basis, the Company's revenue decreased \$22.0 million, or 9.3%, mainly due to decreases of \$20.9 million in contracting revenue (down 13.2% compared to the same period in 2015) and \$1.7 million in permanent recruitment revenue (down 3.0% compared to the same period in 2015) partially offset by an increase of \$0.9 million in talent management revenue (up 4.9% compared to the same period in 2015).

Gross margin was \$46.8 million for the three months ended June 30, 2016, compared to \$50.2 million for the same period in 2015, a decrease of \$3.4 million, or 6.7%.

On a constant currency basis, gross margin decreased \$1.9 million, or 4.0%, mainly due to decreases of \$1.8 million in temporary recruitment gross margin (down 16.4% compared to the same period in 2015) and \$1.3 million in permanent recruitment gross margin (down 4.4% compared to the same period in 2015) partially offset by an increase of \$1.2 million in talent management gross margin (up 16.1% compared to the same period in 2015).

Gross margin was \$88.1 million for the six months ended June 30, 2016, compared to \$98.1 million for the same period in 2015, a decrease of \$10.0 million, or 10.2%.

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On a constant currency basis, gross margin decreased \$6.6 million, or 6.9%, mainly due to decreases of \$5.5 million in temporary recruitment gross margin (down 23.7% compared to the same period in 2015) and \$1.8 million in permanent recruitment gross margin (down 3.2% compared to the same period in 2015) partially offset by an increase of \$1.0 million in talent management gross margin (up 7.1% compared to the same period in 2015).

Selling, general and administrative expenses and other non-operating income (expense) ("SG&A and Non-Op") were \$48.3 million for the three months ended June 30, 2016, compared to \$53.6 million for the same period in 2015, a decrease of \$5.3 million, or 9.8%.

On a constant currency basis, SG&A and Non-Op decreased \$3.8 million, or 7.3%. SG&A and Non-Op, as a percentage of revenue, were 42.7% for the three months ended June 30, 2016, compared to 44.2% for the same period in 2015.

SG&A and Non-Op were \$92.1 million for the six months ended June 30, 2016, compared to \$105.7 million for the same period in 2015, a decrease of \$13.6 million, or 12.9%.

On a constant currency basis, SG&A and Non-Op decreased \$9.9 million, or 9.7%. SG&A and Non-Op, as a percentage of revenue, were 43.0% for the six months ended June 30, 2016, compared to 43.2% for the same period in 2015.

Business reorganization expenses were \$0.1 million for the three months ended June 30, 2016, compared to \$2.1 million for the same period in 2015, a decrease of approximately \$1.9 million. On a constant currency basis, business reorganization expenses decreased \$1.9 million.

Business reorganization expenses were \$0.8 million for the six months ended June 30, 2016, compared to \$3.4 million for the same period in 2015, a decrease of approximately \$2.6 million. On a constant currency basis, business reorganization expenses decreased \$2.6 million.

EBITDA loss was \$1.6 million for the three months ended June 30, 2016, compared to EBITDA of \$14.6 million for the same period in 2015, a decrease in EBITDA of \$16.2 million. On a constant currency basis, EBITDA decreased \$16.2 million.

EBITDA loss was \$4.8 million for the six months ended June 30, 2016, compared to EBITDA of \$9.0 million for the same period in 2015, a decrease in EBITDA of \$13.8 million. On a constant currency basis, EBITDA decreased \$14.1 million.

Net loss was \$3.1 million for the three months ended June 30, 2016, compared to net income of \$13.9 million for the same period in 2015, a decrease in net income of \$17.0 million. On a constant currency basis, net income decreased \$17.1 million.

Net loss was \$6.6 million for the six months ended June 30, 2016, compared to net income of \$7.0 million for the same period in 2015, a decrease in net income of \$13.7 million. On a constant currency basis, net income decreased \$14.1 million.

Constant Currency

The Company operates on a global basis, with the majority of its gross margin generated outside of the U.S. Accordingly, fluctuations in foreign currency exchange rates can affect the Company's results of operations. For the discussion of reportable segment results of operations, the Company uses constant currency information. Constant currency compares financial results between periods as if exchange rates had remained constant period-over-period. The Company defines the term "constant currency" to mean that financial data for a previously reported period are translated into U.S. dollars using the same foreign currency exchange rates that were used to translate financial data for the current period. The Company's management reviews and analyzes business results in constant currency and believes these results better represent the Company's underlying business trends. Changes in foreign currency exchange rates generally impact only reported earnings.

Changes in revenue, gross margin, SG&A and Non-Op, business reorganization expenses, operating income (loss), net income (loss) and EBITDA (loss) from continuing operations include the effect of changes in foreign currency exchange rates. The tables below summarize the impact of foreign currency exchange adjustments on the Company's operating results for the three and six months ended June 30, 2016 and 2015.

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	Three Months Ended June 30,				Six Months Ended June 30,			
	2016	2015			2016	2015		
\$ in thousands	As reported	As reported	Currency translation	Constant currency	As reported	As reported	Currency translation	Constant currency
Revenue:								
Hudson Americas	\$3,661	\$10,183	\$(8)	\$10,175	\$7,498	\$21,161	\$(22)	\$21,139
Hudson Asia Pacific	62,039	57,374	(2,493)	54,881	113,110	110,514	(6,139)	104,375
Hudson Europe	47,367	55,186	(2,166)	53,020	93,686	115,385	(4,629)	110,756
Total	\$113,067	\$122,743	\$(4,667)	\$118,076	\$214,294	\$247,060	\$(10,790)	\$236,270
Gross margin:								
Hudson Americas	\$3,180	\$5,081	\$(8)	\$5,073	\$6,520	\$9,702	\$(22)	\$9,680
Hudson Asia Pacific	22,416	23,820	(1,017)	22,803	41,187	44,697	(2,240)	42,457
Hudson Europe	21,243	21,321	(428)	20,893	40,394	43,727	(1,189)	42,538
Total	\$46,839	\$50,222	\$(1,453)	\$48,769	\$88,101	\$98,126	\$(3,451)	\$94,675
SG&A and Non-Op (a):								
Hudson Americas	\$3,354	\$5,580	\$(12)	\$5,568	\$6,548	\$11,392	\$(38)	\$11,354
Hudson Asia Pacific	21,706	23,916	(953)	22,963	41,450	43,949	(2,350)	41,599
Hudson Europe	19,661	21,630	(478)	21,152	38,718	45,344	(1,356)	43,988
Corporate	3,607	2,464	—	2,464	5,391	5,058	—	5,058
Total	\$48,328	\$53,590	\$(1,443)	\$52,147	\$92,107	\$105,743	\$(3,744)	\$101,999
Business reorganization expenses:								
Hudson Americas	\$(22)	\$(5)	\$—	\$(5)	\$(38)	\$417	\$—	\$417
Hudson Asia Pacific	77	325	(19)	306	274	333	(20)	313
Hudson Europe	109	520	1	521	593	1,400	(31)	1,369
Corporate	(20)	1,220	—	1,220	(48)	1,253	(1)	1,252
Total	\$144	\$2,060	\$(18)	\$2,042	\$781	\$3,403	\$(52)	\$3,351
Gain (loss) on sale and exit of businesses:								
Hudson Americas	\$—	\$15,938	\$—	\$15,938	\$—	\$15,938	\$—	\$15,938
Hudson Asia Pacific	—	—	—	—	—	—	—	—
Hudson Europe	—	4,067	(8)	4,059	—	4,067	(8)	4,059
Corporate	—	—	—	—	—	—	—	—
Total	\$—	\$20,005	\$(8)	\$19,997	\$—	\$20,005	\$(8)	\$19,997
Operating income (loss):								
Hudson Americas	\$(76)	\$15,130	\$—	\$15,130	\$129	\$13,701	\$5	\$13,706
Hudson Asia Pacific	626	391	(66)	325	(208)	604	164	768
Hudson Europe	1,918	3,615	63	3,678	1,679	2,483	182	2,665
Corporate	(4,893)	(5,493)	—	(5,493)	(7,730)	(9,861)	—	(9,861)
Total	\$(2,425)	\$13,643	\$(3)	\$13,640	\$(6,130)	\$6,927	\$351	\$7,278
Net income (loss), consolidated								
	\$(3,138)	\$13,877	\$59	\$13,936	\$(6,625)	\$7,039	\$457	\$7,496
EBITDA (loss) from continuing operations (b):								
Hudson Americas	\$(178)	\$15,444	\$(4)	\$15,440	\$(15)	\$13,814	\$25	\$13,839
Hudson Asia Pacific	575	(630)	(31)	(661)	(656)	173	130	303
Hudson Europe	1,553	3,449	34	3,483	1,223	1,298	180	1,478
Corporate	(3,583)	(3,686)	—	(3,686)	(5,339)	(6,300)	—	(6,300)
Total	\$(1,633)	\$14,577	\$(1)	\$14,576	\$(4,787)	\$8,985	\$335	\$9,320

(a)

SG&A and Non-Op is a measure that management uses to evaluate the segments' expenses, which include the following captions on the Condensed Consolidated Statement of Operations: Selling, general and administrative expenses; and other income (expense), net. Corporate management service allocations are included in the segments' other income (expense).

(b) See EBITDA reconciliation in the following section.

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Use of EBITDA (Non-GAAP measure)

Management believes EBITDA is a meaningful indicator of the Company's performance that provides useful information to investors regarding the Company's financial condition and results of operations. Management also considers EBITDA to be the best indicator of operating performance and most comparable measure across the regions in which the Company operates. Management also uses this measure to evaluate capital needs and working capital requirements. EBITDA should not be considered in isolation or as a substitute for operating income, or net income prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP") or as a measure of the Company's profitability. EBITDA is derived from net income (loss) adjusted for the provision for (benefit from) income taxes, interest expense (income), and depreciation and amortization.

The reconciliation of EBITDA to the most directly comparable GAAP financial measure is provided in the table below:

	Three Months Ended June 30,		Six Months Ended June 30,	
\$ in thousands	2016	2015	2016	2015
Net income (loss)	\$(3,138)	\$13,877	\$(6,625)	\$7,039
Adjustment for income (loss) from discontinued operations, net of income taxes	209	1,103	292	919
Income (loss) from continuing operations	\$(3,347)	\$12,774	\$(6,917)	\$6,120
Adjustments to net income (loss) from continuing operations				
Provision for (benefit from) income taxes	808	460	482	331
Interest expense, net	101	369	155	449
Depreciation and amortization expense	805	974	1,493	2,085
Total adjustments from net income (loss) to EBITDA (loss)	1,714	1,803	2,130	2,865
EBITDA (loss) from continuing operations	\$(1,633)	\$14,577	\$(4,787)	\$8,985

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Temporary Contracting Data

The following table sets forth the Company's temporary contracting revenue, gross margin, and gross margin as a percentage of revenue for the three and six months ended June 30, 2016 and 2015.

\$ in thousands	Three Months Ended June 30,				Six Months Ended June 30,					
	2016	2015	Currency translation	Constant currency	2016	2015	Currency translation	Constant currency		
	As reported	As reported			As reported	As reported				
TEMPORARY CONTRACTING DATA (a):										
Revenue:										
Hudson Americas	\$382	\$6,653	\$ 1	\$6,654	\$747	\$14,692	\$ 1	\$14,693		
Hudson Asia Pacific	43,626	36,868	(1,617)	35,251	79,338	72,544	(4,312)	68,232		
Hudson Europe	28,027	36,868	(1,941)	34,927	57,805	79,733	(3,885)	75,848		
Total	\$72,035	\$80,389	\$(3,557)	\$76,832	\$137,890	\$166,969	\$(8,196)	\$158,773		
Gross margin:										
Hudson Americas	\$77	\$1,656	\$—	\$1,656	\$122	\$3,447	\$ 1	\$3,448		
Hudson Asia Pacific	5,176	4,772	(207)	4,565	9,549	9,350	(549)	8,801		
Hudson Europe	3,826	4,860	(224)	4,636	8,041	11,455	(501)	10,954		
Total	\$9,079	\$11,288	\$(431)	\$10,857	\$17,712	\$24,252	\$(1,049)	\$23,203		
Gross margin as a percentage of revenue:										
Hudson Americas	20.2	% 24.9	% N/A	24.9	% 16.3	% 23.5	% N/A	23.5	%	
Hudson Asia Pacific	11.9	% 12.9	% N/A	12.9	% 12.0	% 12.9	% N/A	12.9	%	
Hudson Europe	13.7	% 13.2	% N/A	13.3	% 13.9	% 14.4	% N/A	14.4	%	
Total	12.6	% 14.0	% N/A	14.1	% 12.8	% 14.5	% N/A	14.6	%	

Temporary contracting gross margin and gross margin as a percentage of revenue are shown to provide additional information regarding the Company's ability to manage its cost structure and to provide further comparability relative to the Company'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 that of other companies. See Note 6 to the Condensed Consolidated Financial Statements for direct costs and gross margin information.

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Results of Operations

Hudson Americas (reported currency)

Revenue

\$ in millions	Three Months Ended June 30,				Six Months Ended June 30,			
	2016 As reported	2015 As reported	Change in amount	Change in %	2016 As reported	2015 As reported	Change in amount	Change in %
Hudson Americas Revenue	\$3.7	\$ 10.2	\$ (6.5)	(64.0)%	\$7.5	\$ 21.2	\$ (13.7)	(64.6)%

For the three months ended June 30, 2016, temporary contracting revenue decreased \$6.3 million, or 94.3%, as compared to the same period in 2015. The decrease in temporary contracting revenue was directly attributable to the divestiture of the Company's US IT business in June 2015. For the three months ended June 30, 2016, permanent recruitment revenue decreased \$0.3 million, or 7.7%, as a result of a decline in RPO, as compared to the same period in 2015. The decline in RPO revenue was due mainly to the end of a large project that was completed in June 2015.

For the six months ended June 30, 2016, temporary contracting revenue decreased \$13.9 million, or 94.9%, as compared to the same period in 2015. The decrease in temporary contracting revenue was directly attributable to the divestiture of the Company's US IT business in June 2015. For the six months ended June 30, 2016, permanent recruitment revenue increased \$0.3 million, or 4.1%, as a result of growth in RPO, as compared to the same period in 2015.

Gross Margin

\$ in millions	Three Months Ended June 30,				Six Months Ended June 30,			
	2016 As reported	2015 As reported	Change in amount	Change in %	2016 As reported	2015 As reported	Change in amount	Change in %
Hudson Americas Gross margin	\$3.2	\$ 5.1	\$ (1.9)	(37.4)%	\$6.5	\$ 9.7	\$ (3.2)	(32.8)%
Gross margin as a percentage of revenue	86.9 %	49.9 %	N/A	N/A	87.0 %	45.8 %	N/A	N/A
Temporary contracting gross margin as a percentage of temporary contracting revenue	20.2 %	24.9 %	N/A	N/A	16.3 %	23.5 %	N/A	N/A

For the three months ended June 30, 2016, temporary contracting gross margin decreased \$1.6 million, or 95.4%, as compared to the same period in 2015. Temporary contracting gross margin decreased due to the divestiture of the Company's US IT business in June 2015. Permanent recruitment gross margin decreased \$0.3 million, or 10.0%, as a result of a decline in RPO, as compared to the same period in 2015. The decline in RPO gross margin was due mainly to the factors discussed above for revenue.

For the six months ended June 30, 2016, temporary contracting gross margin decreased \$3.3 million, or 96.5%, as compared to the same period in 2015. Temporary contracting gross margin decreased due to the divestiture of the Company's US IT business in June 2015. Permanent recruitment gross margin remained flat, as compared to the same period in 2015.

For the three months ended June 30, 2016, total gross margin as a percentage of revenue was 86.9%, as compared to 49.9% for the same period in 2015. For the six months ended June 30, 2016, total gross margin as a percentage of revenue was 87.0%, as compared to 45.8% for the same period in 2015. The increase in total gross margin as a percentage of revenue was principally due to the divestiture of the Company's US IT business in June 2015.

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SG&A and Non-Op

\$ in millions	Three Months Ended June 30,				Six Months Ended June 30,			
	2016 As reported	2015 As reported	Change in amount	Change in %	2016 As reported	2015 As reported	Change in amount	Change in %
Hudson Americas SG&A and Non-Op	\$3.4	\$ 5.6	\$(2.2)	(39.9)%	\$6.5	\$ 11.4	\$(4.8)	(42.5)%
SG&A and Non-Op as a percentage of revenue	91.6 %	54.8 %	N/A	N/A	87.3 %	53.8 %	N/A	N/A

For the three months ended June 30, 2016, SG&A and Non-Op decreased \$2.2 million, or 39.9%, as compared to the same periods in 2015 due to lower sales and administrative costs as a result of the prior year divestiture of the US IT business and lower support costs. The decline was also driven by the change in control stock-based compensation expense of \$0.4 million recorded in June 2015.

For the six months ended June 30, 2016, SG&A and Non-Op decreased \$4.8 million, or 42.5%, as compared to the same period in 2015 due to the factors described above.

Business Reorganization Expenses

For the three months ended June 30, 2016, business reorganization expenses were approximately \$0.0 million, as compared to \$0.0 million for the same period in 2015. For the six months ended June 30, 2016, business reorganization expenses were \$0.0 million as compared to \$0.4 million for the same period in 2015.

Operating Income and EBITDA

\$ in millions	Three Months Ended June 30,				Six Months Ended June 30,			
	2016 As reported	2015 As reported	Change in amount	Change in %	2016 As reported	2015 As reported	Change in amount	Change in %
Hudson Americas Operating income (loss)	\$(0.1)	\$ 15.1	\$(15.2)	(a)	\$0.1	\$ 13.7	\$(13.6)	(a)
EBITDA (loss)	\$(0.2)	\$ 15.4	\$(15.6)	(a)	\$—	\$ 13.8	\$(13.8)	(a)
EBITDA (loss) as a percentage of revenue	(4.9)%	151.7 %	N/A	N/A	(0.2)%	65.3 %	N/A	N/A

(a) Information was not provided because the Company did not consider the change in percentage a meaningful measure for the periods in comparison.

For the three months ended June 30, 2016, EBITDA loss was \$0.2 million, or 4.9% of revenue, as compared to EBITDA of \$15.4 million, or 151.7% of revenue, for the same period in 2015. For the six months ended June 30, 2016, EBITDA loss was \$0.0 million, or 0.2% of revenue, as compared to EBITDA of \$13.8 million, or 65.3% of revenue, for the same period in 2015. The decline in EBITDA for the three and six months ended June 30, 2016, was principally due to the prior year gain on sale of the U.S. IT Business of \$15.9 million.

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Hudson Asia Pacific (constant currency)

Revenue

\$ in millions	Three Months Ended June 30,				Six Months Ended June 30,			
	2016 As reported	2015 Constant currency	Change in amount	Change in %	2016 As reported	2015 Constant currency	Change in amount	Change in %
Hudson Asia Pacific								
Revenue	\$62.0	\$ 54.9	\$ 7.2	13.0 %	\$113.1	\$ 104.4	\$ 8.7	8.4 %

For the three months ended June 30, 2016, temporary contracting revenue increased \$8.4 million, or 23.8%, as compared to the same period in 2015. For the three months ended June 30, 2016, permanent recruitment revenue decreased \$1.2 million, or 7.8%, as compared to the same period in 2015.

In Australia, revenue increased \$8.3 million, or 21.1%, for the three months ended June 30, 2016, as compared to the same period in 2015. The increase was primarily in temporary contracting revenue, which increased \$7.5 million, or 25.3%, for the three months ended June 30, 2016, as compared to the same period in 2015. The increases in temporary contracting revenue for the three months ended June 30, 2016 were in the Company's financial services, technical & engineering, office support and public sector practices partially offset by a decline in RPO. The decline in RPO was due mainly to the end of a large, high-volume, low-margin RPO contracting project in 2015.

In Asia, revenue decreased \$2.2 million, or 24.3%, for the three months ended June 30, 2016, as compared to the same period in 2015. The decrease in Asia was primarily in China.

For the six months ended June 30, 2016, temporary contracting revenue increased \$11.1 million, or 16.3%, as compared to the same period in 2015. For the six months ended June 30, 2016, permanent recruitment revenue decreased \$1.9 million, or 6.5%, as compared to the same period in 2015.

In Australia, revenue increased \$11.1 million, or 14.7%, for the six months ended June 30, 2016, as compared to the same period in 2015. The increase was primarily in temporary contracting revenue, which increased \$9.8 million, or 17.0%, for the six months ended June 30, 2016, as compared to the same period in 2015. The increases in temporary contracting revenue for the six months ended June 30, 2016 were a result of the same factors noted above. The decline in RPO was due mainly to the end of a large, high-volume, low-margin RPO contracting project in 2015.

In Asia, revenue decreased \$3.8 million, or 22.8%, for the six months ended June 30, 2016, as compared to the same period in 2015. The decrease in Asia was primarily in China.

Gross Margin

\$ in millions	Three Months Ended June 30,				Six Months Ended June 30,			
	2016 As reported	2015 Constant currency	Change in amount	Change in %	2016 As reported	2015 Constant currency	Change in amount	Change in %
Hudson Asia Pacific								
Gross margin	\$22.4	\$22.8	\$ (0.4)	(1.7)%	\$41.2	\$42.5	\$ (1.3)	(3.0)%
Gross margin as a percentage of revenue	36.1 %	41.5 %	N/A	N/A	36.4 %	40.7 %	N/A	N/A
Temporary contracting gross margin as a percentage of temporary contracting revenue	11.9 %	12.9 %	N/A	N/A	12.0 %	12.9 %	N/A	N/A

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For the three months ended June 30, 2016, permanent recruitment gross margin decreased \$1.1 million, or 7.3%, as compared to the same period in 2015. The decline was partially offset by increases in temporary contracting and talent management gross margin of \$0.6 million and \$0.4 million, or 13.4% and 15.0%, respectively, for the three months ended June 30, 2016, as compared to the same period in 2015.

In Australia, gross margin increased \$1.7 million, or 13.4%, for the three months ended June 30, 2016, as compared to the same period in 2015. The increase was primarily in permanent recruitment and temporary contracting increasing \$1.1 million and \$0.6 million, or 17.9% and 16.7%, respectively, for the three months ended June 30, 2016, as compared to the same period in 2015.

In Asia, gross margin declined \$2.3 million, or 26.5%, for the three months ended June 30, 2016, as compared to the same period in 2015. The decrease in Asia was primarily in China.

For the six months ended June 30, 2016, permanent recruitment gross margin decreased \$1.8 million, or 6.2%, as compared to the same period in 2015. The decline was partially offset by increases in temporary contracting and talent management gross margin of \$0.7 million and \$0.1 million, or 8.5% and 2.5%, respectively, for the six months ended June 30, 2016, as compared to the same period in 2015.

In Australia, gross margin increased \$2.3 million, or 9.8%, for the six months ended June 30, 2016, as compared to the same period in 2015. The increase was primarily in permanent recruitment and temporary contracting increasing \$2.0 million and \$0.8 million, or 17.4% and 10.4%, respectively, for the six months ended June 30, 2016, as compared to the same period in 2015.

In Asia, gross margin declined \$3.9 million, or 24.4%, for the six months ended June 30, 2016, as compared to the same period in 2015. The decrease in Asia was primarily in China.

Total gross margin as a percentage of revenue was 36.1% for the three months ended June 30, 2016, as compared to 41.5% for the same period in 2015. Total gross margin as a percentage of revenue was 36.4% for the six months ended June 30, 2016, as compared to 40.7% for the same period in 2015. The decrease in total gross margin as a percentage of revenue for the three and six months ended June 30, 2016 resulted from an increase in the percentage of lower margin temporary contracting revenue compared to total revenue and a decline in the temporary contracting gross margin as a percentage of temporary contract revenue as compared to the same period in 2015.

SG&A and Non-Op

\$ in millions	Three Months Ended June 30,				Six Months Ended June 30,			
	2016 As reported	2015 Constant currency	Change in amount	Change in %	2016 As reported	2015 Constant currency	Change in amount	Change in %
Hudson Asia Pacific SG&A and Non-Op	\$21.7	\$23.0	\$ (1.3)	(5.5)%	\$41.5	\$41.6	\$ (0.1)	(0.4)%
SG&A and Non-Op as a percentage of revenue	35.0 %	41.8 %	N/A	N/A	36.6 %	39.9 %	N/A	N/A

For the three months ended June 30, 2016, SG&A and Non-Op decreased \$1.3 million, or 5.5%, as compared to the same period in 2015. For the six months ended June 30, 2016, SG&A and Non-Op decreased \$0.1 million, or 0.4%, as compared to the same period in 2015. The decline was primarily due to lower allocated corporate administrative charges and stock-based compensation expense. The decline in stock-based compensation expense was primarily driven by the prior year change in control stock-based compensation expense of \$0.6 million recorded in June 2015.

For the three months ended June 30, 2016, SG&A and Non-Op, as a percentage of revenue, was 35.0%, as compared to 41.8% for the same period in 2015. For the six months ended June 30, 2016, SG&A and Non-Op, as a percentage of revenue, was 36.6%, as compared to 39.9% for the same period in 2015. The decrease in SG&A and Non-Op, as a percentage of revenue, was principally due to the factors noted above.

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Business Reorganization Expenses

For the three months ended June 30, 2016, business reorganization expenses were approximately \$0.1 million, as compared to \$0.3 million for the same period in 2015. For the six months ended June 30, 2015 and 2016, business reorganization expenses were approximately \$0.3 million. Business reorganization expenses in the current year were primarily for severance costs.

Operating Income and EBITDA

\$ in millions	Three Months Ended June 30,				Six Months Ended June 30,			
	2016 As reported	2015 Constant currency	Change in amount	Change in %	2016 As reported	2015 Constant currency	Change in amount	Change in %
Hudson Asia Pacific								
Operating income (loss)	\$0.6	\$0.3	\$ 0.3	(a)	\$(0.2)	\$ 0.8	\$(1.0)	(a)
EBITDA (loss)	\$0.6	\$(0.7)	\$ 1.2	(a)	\$(0.7)	\$ 0.3	\$(1.0)	(a)
EBITDA (loss) as a percentage of revenue	0.9 %	(1.2)%	N/A	N/A	(0.6)%	0.3 %	N/A	N/A

(a) Information was not provided because the Company did not consider the change in percentage a meaningful measure for the periods in comparison.

For the three months ended June 30, 2016, EBITDA was \$0.6 million, or 0.9% of revenue, as compared to EBITDA loss of \$0.7 million, or 1.2% of revenue, for the same period in 2015. For the six months ended June 30, 2016, EBITDA loss was \$0.7 million, or 0.6% of revenue, as compared to EBITDA of \$0.3 million, or 0.3% of revenue, for the same period in 2015. The increase in EBITDA for the three months ended June 30, 2016 was principally due to the decline in SG&A and Non-Op and business reorganization expenses, partially offset by a decline in gross margin. The decline in EBITDA for the six months ended June 30, 2016, was principally due to the decline in gross margin.

For the three months ended June 30, 2016, operating income was \$0.6 million, as compared to operating income of \$0.3 million for the same period in 2015. For the six months ended June 30, 2016, operating loss was \$0.2 million, as compared to operating income of \$0.8 million for the same period in 2015. The difference between operating income (loss) and EBITDA (loss) for the three and six months ended June 30, 2016 and 2015 was principally due to corporate management fees, foreign currency gains and losses and depreciation.

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Hudson Europe (constant currency)

Revenue

\$ in millions	Three Months Ended June 30,				Six Months Ended June 30,			
	2016 As reported	2015 Constant currency	Change in amount	Change in %	2016 As reported	2015 Constant currency	Change in amount	Change in %
Hudson Europe Revenue	\$47.4	\$ 53.0	\$(5.7)	(10.7)%	\$93.7	\$ 110.8	\$(17.1)	(15.4)%

For the three months ended June 30, 2016, temporary contracting revenue decreased \$6.9 million, or 19.8%, as compared to the same period in 2015. The decline was partially offset by an increase in talent management and permanent recruitment revenue of \$1.1 million and \$0.1 million, or 17.6% and 1.0%, respectively, as compared to the same period in 2015.

For the six months ended June 30, 2016, temporary contracting revenue decreased \$18.0 million, or 23.8%, as compared to the same period in 2015. The decline was partially offset by an increase in talent management of \$1.1 million, or 9.4%, as compared to the same period in 2015. Permanent recruitment revenue remained relatively flat.

In the U.K., for the three months ended June 30, 2016, revenue decreased by \$4.6 million, or 12.5%, to \$32.5 million, from \$37.1 million for the same period in 2015. For the three months ended June 30, 2016, the decrease in the U.K. was driven by declines in permanent recruitment and temporary contracting revenues of \$0.7 million and \$4.1 million, or 11.5% and 13.4%, respectively, as compared to the same period in 2015.

In the U.K., for the six months ended June 30, 2016, revenue decreased by \$6.7 million, or 9.1%, to \$66.7 million, from \$73.4 million for the same period in 2015. For the six months ended June 30, 2016, the decrease in the U.K. was driven by declines in permanent recruitment and temporary contracting revenues of \$1.0 million and \$6.0 million, or 8.8% and 9.7%, respectively, as compared to the same period in 2015.

In Continental Europe, total revenue was \$14.9 million for the three months ended June 30, 2016, as compared to \$15.9 million for the same period in 2015, a decrease of \$1.0 million, or 6.4%. For the six months ended June 30, 2016, total revenue was \$27.0 million as compared to \$37.4 million for the same period in 2015, a decrease of \$10.4 million, or 27.7%. The revenue decline in Continental Europe was a result of the prior year divestitures, resulting in a decline in revenue for the three and six months ended June 30, 2016, of \$3.3 million and \$13.1 million, respectively, as compared to the same period in 2015. Excluding the decline from prior year divestitures, revenue in Continental Europe, increased \$2.2 million and \$2.8 million, or 17.7% and 11.3%, respectively, for the three and six months ended June 30, 2016, as compared to the same period in 2015.

Gross Margin

\$ in millions	Three Months Ended June 30,				Six Months Ended June 30,			
	2016 As reported	2015 Constant currency	Change in amount	Change in %	2016 As reported	2015 Constant currency	Change in amount	Change in %
Hudson Europe Gross margin	\$21.2	\$20.9	\$ 0.4	1.7 %	\$40.4	\$42.5	\$(2.1)	(5.0)%
Gross margin as a percentage of revenue	44.8 %	39.4 %	N/A	N/A	43.1 %	38.4 %	N/A	N/A
Temporary contracting gross margin as a percentage of temporary contracting revenue	13.7 %	13.3 %	N/A	N/A	13.9 %	14.4 %	N/A	N/A

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For the three months ended June 30, 2016, talent management and permanent recruitment gross margin increased \$0.9 million and \$0.1 million, or 16.6% and 1.3%, respectively, as compared to the same period in 2015. The increase was partially offset by a decline in temporary contracting gross margin of \$0.8 million, or 17.5%, as compared to the same period in 2015. For the six months ended June 30, 2016, contracting and permanent recruitment gross margins decreased \$2.9 million and \$0.2 million, or 26.6% and 0.8%, respectively, as compared to the same period in 2015

In the U.K., total gross margin for the three months ended June 30, 2016 decreased \$0.9 million, or 9.4%, as compared to the same period in 2015. Permanent recruitment and contracting gross margins declined \$0.6 million and \$0.3 million, or 10.2% and 8.7%, respectively, for the three months ended June 30, 2016, as compared to 2015.

In the U.K., total gross margin, for the six months ended June 30, 2016 decreased \$1.4 million, or 7.3%, as compared to the same period in 2015. Permanent recruitment and contracting gross margins declined \$0.9 million and \$0.5 million, or 8.4% and 6.7%, respectively, for the six months ended June 30, 2016, as compared to the same period in 2015

In Continental Europe, for the three months ended June 30, 2016, total gross margin increased \$1.3 million, or 11.9%, as compared to the same period in 2015. For the six months ended June 30, 2016, total gross margin decreased \$0.7 million, or 3.0%, as compared to the same period in 2015. The prior year divestitures resulted in a decline in gross margin for the three and six months ended June 30, 2016, of \$0.7 million and \$3.0 million, as compared to the same periods in 2015. Excluding the decline from prior year divestitures, gross margin in Continental Europe, increased \$2.0 million and \$2.3 million, or 18.8% and 11.3%, respectively, for the three and six months ended June 30, 2016, as compared to the same period in 2015.

For the three months ended June 30, 2016, gross margin, as a percentage of revenue, was 44.8%, as compared to 39.4% for 2015. For the six months ended June 30, 2016, gross margin, as a percentage of revenue, was 43.1%, as compared to 38.4% for 2015. The increase in gross margin, as a percentage of revenue, resulted from an increase in the relative mix of higher margin permanent recruitment and lower margin temporary contracting revenues. The contracting gross margin, as a percentage of revenue, for the three months ended June 30, 2016 was 13.7%, as compared to 13.3%, for the same period in 2015. For the six months ended June 30, 2016, the contracting gross margin, as a percentage of revenue, was 13.9%, as compared to 14.4% for the same period in 2015.

SG&A and Non-Op

\$ in millions	Three Months Ended June 30,				Six Months Ended June 30,			
	2016 As reported	2015 Constant currency	Change in amount	Change in %	2016 As reported	2015 Constant currency	Change in amount	Change in %
Hudson Europe								
SG&A and Non-Op	\$19.7	\$21.2	\$(1.5)	(7.0)%	\$38.7	\$44.0	\$(5.3)	(12.0)%
SG&A and Non-Op as a percentage of revenue	41.5 %	39.9 %	N/A	N/A	41.3 %	39.7 %	N/A	N/A

For the three months ended June 30, 2016, SG&A and Non-Op decreased \$1.5 million, or 7.0%, as compared to the same period in 2015. For the six months ended June 30, 2016, SG&A and Non-Op decreased \$5.3 million, or 12.0%, as compared to the same period in 2015. In the U.K., lower gross margin resulted in a reduction in employee compensation expense in the three and six months ended June 30, 2016, as compared to the same period in 2015. In addition, actions taken to streamline business processes in 2015, including real estate, back office support functions and reduced corporate management fees resulted in lower SG&A and Non-Op for the six months ended June 30, 2016, as compared to the same period in 2015. In addition, the decline is partially attributable to the prior year June 2015 change in control stock compensation expense of \$0.7 million and sale of the Netherlands business effective

April 30, 2015.

For the three months ended June 30, 2016, SG&A and Non-Op, as a percentage of revenue, was 41.5%, as compared to 39.9% for the same period in 2015. For the six months ended June 30, 2016, SG&A and Non-Op, as a percentage of revenue, was 41.3%, as compared to 39.7% for the same period in 2015. The increase in SG&A and Non-Op, as a percentage of revenue, for the three and six months ended June 30, 2016 was primarily due to lower revenue, as compared to the same periods in 2015.

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Business Reorganization Expenses

For the three months ended June 30, 2016, business reorganization expenses were \$0.1 million, as compared to \$0.5 million for the same period in 2015. For the six months ended June 30, 2016, business reorganization expenses were \$0.6 million, as compared to \$1.4 million for the same period in 2015. The business reorganization expenses incurred for the three and six months ended June 30, 2016 were primarily related to severance costs, additional lease exit charges in France and changes in lease exit cost estimates in the U.K.

Operating Income and EBITDA

\$ in millions	Three Months Ended June 30,				Six Months Ended June 30,			
	2016 As reported	2015 Constant currency	Change in amount	Change in %	2016 As reported	2015 Constant currency	Change in amount	Change in %
Hudson Europe								
Operating income (loss)	\$1.9	\$3.7	\$(1.8)	47.9 %	\$1.7	\$2.7	\$(1.0)	37.0 %
EBITDA (loss)	\$1.6	\$3.5	\$(1.9)	55.4 %	\$1.2	\$1.5	\$(0.3)	(a)
EBITDA (loss) as a percentage of revenue	3.3 %	6.6 %	N/A	N/A	1.3 %	1.3 %	N/A	N/A

For the three months ended June 30, 2016, EBITDA was \$1.6 million, or 3.3% of revenue, as compared to EBITDA of \$3.5 million, or 6.6% of revenue, for the same period in 2015. For the six months ended June 30, 2016, EBITDA was \$1.2 million, or 1.3% of revenue, as compared to EBITDA of \$1.5 million, or 1.3% of revenue, for the same period in 2015. The decrease in EBITDA for the three and six months ended June 30, 2016, as compared to the same periods in 2015, was principally due a decline in gross margin, partially offset by lower business reorganization and SG&A and Non-Op expenses.

For the three months ended June 30, 2016, operating income was \$1.9 million, as compared to operating income of \$3.7 million for the same period in 2015. For the six months ended June 30, 2016, operating income was \$1.7 million, as compared to operating income of \$2.7 million for the same period in 2015. The differences between operating income and EBITDA for the three and six months ended June 30, 2016 and 2015 were principally due to corporate management fees and depreciation.

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The following are discussed in reported currency

Corporate Expenses, Net of Corporate Management Fee Allocations

Corporate expenses were \$3.6 million for the three months ended June 30, 2016, as compared to \$2.5 million for the same period in 2015, an increase of \$1.1 million. For the six months ended June 30, 2016, corporate expenses were \$5.4 million as compared to \$5.1 million for the same period in 2015, an increase of \$0.3 million. The increase for the three and six months ended June 30, 2016 were principally due to legal settlement costs associated with an arbitration claim (see Note 14) and lower corporate allocations to our business operations, partially offset by cost savings associated with prior year reorganization efforts.

Depreciation and Amortization Expense

Depreciation and amortization expense was \$0.8 million for the three months ended June 30, 2016, as compared to \$1.0 million for the same period in 2015, a decrease of \$0.2 million, or 17.4%. For the six months ended June 30, 2016, depreciation and amortization expense were \$1.5 million, as compared to \$2.1 million for the same period in 2015, a decrease of \$0.6 million. The decrease was due to lower level of capital expenditures in 2016 as compared to 2015.

Interest Expense, Net of Interest Income

Interest expense was \$0.1 million for the three months ended June 30, 2016, as compared to \$0.4 million for the same period in 2015. Interest expense was \$0.2 million for the six months ended June 30, 2016, as compared to \$0.4 million for the same period in 2015.

Provision for (Benefit from) Income Taxes

The provision for income taxes for the six months ended June 30, 2016 was \$0.5 million on \$6.4 million of pre-tax loss from continuing operations, as compared to a provision for income tax of \$0.3 million on \$6.5 million of pre-tax income from continuing operations for the same period in 2015. The effective tax rate for the six months ended June 30, 2016 was negative 7.5%, as compared to positive 5.1% for the same period in 2015. For the six months ended June 30, 2016, the effective tax rate differed from the U.S. Federal statutory rate of 35% primarily due to the inability of the Company to recognize tax benefits on certain losses until positive earnings are achieved in the U.S. and certain other foreign jurisdictions, non-deductible expenses, and variations from the U.S. tax rate in foreign jurisdictions. For the six months ended June 30, 2015, the effective tax rate differed from the U.S. Federal statutory rate of 35% due to the foreign tax exemptions applicable to gains on sale or exit of businesses, the inability of the Company to recognize tax benefits on losses until positive earnings are achieved in the U.S. and certain other foreign jurisdictions, non-deductible expenses, and variations from the U.S. tax rate in foreign jurisdictions.

Net Income (Loss)

Net loss was \$3.1 million for the three months ended June 30, 2016, as compared to net income of \$13.9 million for the same period in 2015, a decrease in net income of \$17.0 million. The decrease in net income was primarily due to \$21.3 million recorded related to gains associated with the sale and liquidation of businesses including discontinued operations for the three months ended June 30, 2015, partially offset by an increase in gross margin from retained businesses and a decline in SG&A and Non-Op and business reorganization expenses. Basic and diluted loss per share were \$0.09 for the three months ended June 30, 2016, as compared to basic and diluted income per share of \$0.41 for the same period in 2015.

Net loss was \$6.6 million for the six months ended June 30, 2016, as compared to net income of \$7.0 million for the same period in 2015, a decrease in net income of \$13.7 million. The decrease in net income was primarily due to \$21.4 million recorded related to gains associated with the sale and exit of businesses including discontinued operations for the six months ended June 30, 2015, partially offset by the factors noted above. Basic and diluted loss per share were \$0.20 for the six months ended June 30, 2016, as compared to basic and diluted income per share of \$0.21 for the same period in 2015.

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Liquidity and Capital Resources

As of June 30, 2016, cash and cash equivalents totaled \$24.9 million, as compared to \$37.7 million as of December 31, 2015. The following table summarizes the Company's cash flow activities for the six months ended June 30, 2016 and 2015:

\$ in millions	For the Six Months Ended June 30,	
	2016	2015
Net cash provided by (used in) operating activities	\$(10.1)	\$(23.0)
Net cash provided by (used in) investing activities	(1.2)	23.4
Net cash provided by (used in) financing activities	(1.0)	1.1
Effect of exchange rates on cash and cash equivalents	(0.5)	(0.6)
Net increase (decrease) in cash and cash equivalents	\$(12.7)	\$0.9

Cash Flows from Operating Activities

For the six months ended June 30, 2016, net cash used in operating activities was \$10.1 million, as compared to \$23.0 million of net cash used in operating activities for the same period in 2015, a decrease in net cash used in operating activities of \$12.9 million. The decline in net cash used in operating activities resulted principally from a decrease in working capital requirements as a result of the prior year divestitures and fluctuations in foreign currency. For the six months ended June 30, 2016, net cash used in operating activities from discontinued operations was \$0.5 million, as compared to \$0.9 million of net cash flows provided by discontinued operations for the same period in 2015.

Cash Flows from Investing Activities

For the six months ended June 30, 2016, net cash used in investing activities was \$1.2 million, as compared to \$23.4 million of net cash flows provided by investing activities for the same period in 2015. The decrease in net cash provided by investing activities was due to the sales of the US IT and Netherlands businesses in 2015.

Cash Flows from Financing Activities

For the six months ended June 30, 2016, net cash used in financing activities was \$1.0 million, as compared to net cash provided by financing activities of \$1.1 million for the same period in 2015, a decrease in net cash provided by financing activities of \$2.0 million. The decrease in net cash provided by financing activities was primarily attributable to current year cash dividends and repurchase of common stock, partially offset by an increase in net borrowings in the six months ended June 30, 2016, as compared to the same period in 2015.

During the six months ended June 30, 2016, the Company paid cash dividends of \$3.4 million, or \$0.10 per share.

Credit Agreements

Receivables Finance Agreement with Lloyds Bank Commercial Finance Limited and Lloyds Bank PLC

On August 1, 2014, the Company's U.K. subsidiary ("U.K. Borrower") entered into a receivables finance agreement for an asset-based lending funding facility (the "Lloyds Agreement") with Lloyds Bank PLC and Lloyds Bank Commercial Finance Limited (together, "Lloyds"). The Lloyds Agreement provides the U.K. Borrower with the ability to borrow up to \$20.0 million (£15.0 million). Extensions of credit are based on a percentage of the eligible accounts receivable less required reserves from the Company's U.K. operations. The initial term is two years with renewal periods every three months thereafter. Borrowings under this facility are secured by substantially all of the assets of the U.K. Borrower.

The credit facility under the Lloyds Agreement contains two tranches. The first tranche is a revolving facility based on the billed temporary contracting and permanent recruitment activities in the U.K. operations ("Lloyds Tranche A"). The borrowing limit of Lloyds Tranche A is \$16.0 million (£12.0 million) based on 83% of eligible billed temporary contracting and permanent recruitment receivables. The second tranche is a revolving facility that is based on the

unbilled work-in-progress (as defined under the receivables finance agreement) activities in the Company's U.K. operations ("Lloyds Tranche B"). The borrowing limit of Lloyds Tranche B is \$4.0 million (£3.0 million) based on 75% of eligible work-in-progress from temporary contracting and 25% of eligible work-in-progress from permanent recruitment activities. For both tranches, borrowings may be made with an interest rate based on a base rate as determined by Lloyds Bank PLC, based on the Bank of England base rate, plus 1.75%.

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The Lloyds Agreement contains various restrictions and covenants including (1) that true credit note dilution may not exceed 5%, measured at audit on a regular basis; (2) debt turn may not exceed 55 days over a three month rolling period; (3) dividends by the U.K. Borrower to the Company are restricted to the value of post-tax profits; and (4) at the end of each month, there must be a minimum excess availability of \$2.7 million (£2.0 million).

The details of the Lloyds Agreement as of June 30, 2016 were as follows:

\$ in millions	June 30, 2016
Borrowing capacity	\$ 8.6
Less: outstanding borrowing	—
Additional borrowing availability	\$ 8.6
Interest rates on outstanding borrowing	2.25 %

The Company was in compliance with all financial covenants under the Lloyds Agreement as of June 30, 2016.

Facility Agreement with National Australia Bank Limited

On October 30, 2015, Hudson Global Resources (Aust) Pty Limited ("Hudson Australia") and Hudson Global Resources (NZ) Limited ("Hudson New Zealand"), both subsidiaries of the Company, entered into a Finance Agreement, dated as of October 27, 2015 (the "Finance Agreement"), with National Australia Bank Limited ("NAB"), a NAB Corporate Receivables Facility Agreement, dated as of October 27, 2015 (the "Australian Receivables Agreement"), with NAB and a BNZ Corporate Receivables Facility Agreement, dated as of October 27, 2015 (the "New Zealand Receivables Agreement"), with Bank of New Zealand ("BNZ").

The Finance Agreement provides a bank guarantee facility of up to \$2.2 million (AUD 3.0 million) for Hudson Australia and Hudson New Zealand. The Finance Agreement matures and becomes due and payable on October 27, 2018. A fee equal to 1.5% per annum will be charged on each bank guarantee issued under the Finance Agreement. The Finance Agreement bears a fee, payable semiannually in arrears, equal to 0.3% per annum of NAB's commitment under the Finance Agreement.

The Australian Receivables Agreement provides a receivables facility of up to \$18.6 million (AUD 25.0 million) for Hudson Australia, which is based on an agreed percentage of eligible accounts receivable, and of which up to \$3.0 million (AUD 4.0 million) may be used to support the working capital requirements of operations in China, Hong Kong and Singapore. The Australian Receivables Agreement does not have a stated maturity date and can be terminated by Hudson Australia or NAB upon 90 days written notice. Borrowings under the Australian Receivables Agreement may be made with an interest rate based on a market rate plus a margin of 1.5% per annum. The Australian Receivable Agreement bears a fee, payable monthly in advance, equal to \$5 thousand (AUD 6 thousand) per month.

The New Zealand Receivables Agreement provides a receivables facility of up to \$3.6 million (NZD 5.0 million) for Hudson New Zealand, which is based on an agreed percentage of eligible accounts receivable. The New Zealand Receivables Agreement does not have a stated maturity date and can be terminated by Hudson New Zealand or BNZ upon 90 days written notice. Borrowings under the New Zealand Receivables Agreement may be made with an interest rate based on a market rate. The New Zealand Receivables Agreement bears a fee, payable monthly in advance, equal to \$1 thousand (NZD 1 thousand) per month.

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The details of the Finance Agreement, Australian Receivables Agreement and New Zealand Receivables Agreement as of June 30, 2016 were as follows:

\$ in millions	June 30, 2016
Finance Agreement:	
Financial guarantee capacity	\$2.2
Less: outstanding financial guarantees	(1.9)
Additional availability for financial guarantees	\$0.4
Interest rates on outstanding financial guarantees	1.80 %
Australian Receivables Agreement:	
Borrowing capacity	\$14.9
Less: outstanding borrowing	(7.2)
Additional borrowing availability	\$7.7
Interest rates on outstanding borrowing	3.40 %
New Zealand Receivables Agreement:	
Borrowing capacity	\$2.3
Less: outstanding borrowing	—
Additional borrowing availability	\$2.3
Interest rates on outstanding borrowing	4.38 %

Amounts owing under the Finance Agreement, the Australian Receivables Agreement and the New Zealand Receivables Agreement are secured by substantially all of the assets of Hudson Australia and Hudson New Zealand. Each of the Finance Agreement, the Australian Receivables Agreement and the New Zealand Receivables Agreement contains various restrictions and covenants applicable to Hudson Australia and Hudson New Zealand, including: a requirement that Hudson Australia and Hudson New Zealand maintain (1) a minimum Fixed Charge Coverage Ratio (as defined in the NAB Facility Agreement) of 1.50x as of the last day of each calendar quarter; and (2) a minimum Receivables Ratio (as defined by the NAB Facility Agreement) of 1.20x.

The Company was in compliance with all financial covenants under the NAB Facility Agreement as of June 30, 2016.

Other Credit Agreements

The Company also has lending arrangements with local banks through its subsidiaries in Belgium and Singapore. The Belgium subsidiary has a \$1.1 million (€1.0 million) overdraft facility. Borrowings under the Belgium lending arrangements may be made with an interest rate based on the one-month EURIBOR plus a margin, and was 2.75% as of June 30, 2016. The lending arrangement in Belgium has no expiration date and can be terminated with a 15-day notice period. In Singapore, the Company's subsidiary can borrow up to \$0.1 million (SGD 0.2 million) for working capital purposes. Interest on borrowings under the Singapore overdraft facility is based on the Singapore Prime Rate plus a margin of 1.75%, and it was 6.00% on June 30, 2016. The Singapore overdraft facility expires annually each August, but can be renewed for one-year periods at that time. There were no outstanding borrowings under the Belgium and Singapore lending agreements as of June 30, 2016.

The average aggregate monthly outstanding borrowings for the credit agreements above was \$8.2 million for the six months ended June 30, 2016. The weighted average interest rate on all outstanding borrowings for the six months ended June 30, 2016 was 3.56%.

The Company continues to use the aforementioned credit to support its ongoing global working capital requirements, capital expenditures and other corporate purposes and to support letters of credit. Letters of credit and bank guarantees are used primarily to support office leases.

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Liquidity Outlook

As of June 30, 2016, the Company had cash and cash equivalents on hand of \$24.9 million, supplemented by additional borrowing availability of \$19.8 million under the Lloyds Agreement, the NAB Facility Agreement and other lending arrangements in Belgium and Singapore. The Company believes that it has sufficient liquidity to satisfy its needs through at least the next 12 months, based on the Company's total liquidity as of June 30, 2016. The Company's near-term cash requirements during 2016 are primarily related to funding operations, restructuring actions, investing in capital expenditures, repurchasing shares and paying cash dividends. For the full year 2016, the Company expects to make capital expenditures of approximately \$2.0 million to \$3.0 million and payments in connection with current restructuring actions of \$3.0 million to \$4.0 million.

As of June 30, 2016, \$2.9 million of the Company's cash and cash equivalents noted above were held in the U.S. and the remainder were held internationally, primarily in the U.K. (\$7.6 million), Belgium (\$4.4 million), Mainland China (\$3.5 million), Spain (\$1.8 million), Australia (\$1.5 million), New Zealand (\$1.2 million) and Hong Kong (\$0.3 million). The majority of the Company's offshore cash is available to it as a source of funds, net of any tax obligations or assessments. Unrepatriated cumulative earnings of certain foreign subsidiaries are considered to be invested indefinitely outside of the U.S., except where the Company is able to repatriate these earnings to the United States without a material incremental tax provision. In managing its day-to-day liquidity and its capital structure, the Company does not rely on the unrepatriated earnings as a source of funds. The Company has not provided for U.S. Federal income or foreign withholding taxes on these undistributed foreign earnings because a distribution of these foreign earnings with material incremental tax provision is unlikely to occur in the foreseeable future. It is not practicable to determine the amount of tax associated with such undistributed earnings.

The Company believes that future external market conditions remain uncertain, particularly access to credit, rates of near-term projected economic growth and levels of unemployment in the markets in which the Company operates. Due to these uncertain external market conditions, the Company cannot provide assurance that its actual cash requirements will not be greater in the future than those currently expected, especially if market conditions deteriorate substantially. If sources of liquidity are not available or if the Company cannot generate sufficient cash flow from operations, the Company could be required to obtain additional sources of funds through additional operating improvements, capital market transactions, asset sales or financing from third parties, or a combination of those sources. The Company cannot provide assurance that these additional sources of funds will be available or, if available, would have reasonable terms.

Contingencies

From time to time in the ordinary course of business, the Company is subject to compliance audits by federal, state, local and foreign government regulatory, tax and other authorities relating to a variety of regulations, including wage and hour laws, unemployment taxes, workers' compensation, immigration, and income, value-added and sales taxes. The Company is also subject to, from time to time in the ordinary course of business, various claims, lawsuits and other complaints from, for example, clients, candidates, suppliers, landlords for both leased and subleased properties, former and current employees, and regulators or tax authorities. In addition, see Note 14 for a description of a dispute and the subsequent resolution between the Company and its former Chairman and Chief Executive Officer. Periodic events and management actions such as business reorganization initiatives can change the number and type of audits, claims, lawsuits, contract disputes or complaints asserted against the Company. Events can also change the likelihood of assertion and the behavior of third parties to reach resolution regarding such matters.

The economic circumstances in the recent past have given rise to many news reports and bulletins from clients, tax authorities and other parties about changes in their procedures for audits, payment, plans to challenge existing contracts and other such matters aimed at being more aggressive in the resolution of such matters in their own favor. The Company believes that it has appropriate procedures in place for identifying and communicating any matters of this type, whether asserted or likely to be asserted, and it evaluates its liabilities in light of the prevailing circumstances. Changes in the behavior of third parties could cause the Company to change its view of the likelihood of a claim and what might constitute a trend. Employment laws vary in the markets in which we operate, and in some

cases, employees and former employees have extended periods during which they may bring claims against the Company.

For matters that have reached the threshold of probable and estimable, the Company has established reserves for legal, regulatory and other contingent liabilities. The Company's reserves were \$0.1 million and \$0.1 million as of June 30, 2016 and December 31, 2015, respectively. Although the outcome of these matters cannot be determined, the Company believes that none of the currently pending matters, individually or in the aggregate, will have a material adverse effect on the Company's financial condition, results of operations or liquidity.

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Recent Accounting Pronouncements

See Note 3 to the Condensed Consolidated Financial Statements included in Item 1 of this Form 10-Q for a full description of relevant recent accounting pronouncements, including the respective expected dates of adoption.

Critical Accounting Policies

See "Critical Accounting Policies" under Item 7 of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2015 filed with the SEC on March 3, 2016 and incorporated by reference herein. There were no changes to the Company's critical accounting policies during the three months ended June 30, 2016.

FORWARD-LOOKING STATEMENTS

This Form 10-Q contains statements that the Company believes to be "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical fact included in this Form 10-Q, including statements regarding the Company's future financial condition, results of operations, business operations and business prospects, are forward-looking statements. Words such as "anticipate," "estimate," "expect," "project," "intend," "plan," "predict," "believe" and similar words, expressions and variations of these words and expressions are intended to identify forward-looking statements. All forward-looking statements are subject to 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) global economic fluctuations, (2) the Company's ability to successfully execute its strategic initiatives, (3) risks related to fluctuations in the Company's operating results from quarter to quarter, (4) the ability of clients to terminate their relationship with the Company at any time, (5) competition in the Company's markets, (6) the negative cash flows and operating losses that the Company has experienced in recent periods and may experience from time to time in the future, (7) restrictions on the Company's operating flexibility due to the terms of its credit facilities, (8) risks associated with the Company's investment strategy, (9) risks related to international operations, including foreign currency fluctuations, (10) the Company's dependence on key management personnel, (11) the Company's ability to attract and retain highly-skilled professionals, (12) the Company's ability to collect its accounts receivable, (13) the Company's ability to achieve anticipated cost savings through the Company's cost reduction initiatives, (14) the Company's heavy reliance on information systems and the impact of potentially losing or failing to develop technology, (15) risks related to providing uninterrupted service to clients, (16) the Company's exposure to employment-related claims from clients, employers and regulatory authorities and limits on related insurance coverage, (17) the Company's ability to utilize net operating loss carry-forwards, (18) volatility of the Company's stock price, and (19) the impact of government regulations. These forward-looking statements 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.

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ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company conducts operations in various countries and faces both translation and transaction risks related to foreign currency exchange. For the six months ended June 30, 2016, the Company earned approximately 93% of its gross margin outside the U.S., and it collected payments in local currency and paid related operating expenses in such corresponding local currency. Revenues and expenses in foreign currencies translate into higher or lower revenues and expenses in U.S. dollars as the U.S. dollar weakens or strengthens against other currencies. Therefore, changes in exchange rates may affect our consolidated revenues and expenses (as expressed in U.S. dollars) from foreign operations.

Amounts invested in our foreign operations are translated into U.S. dollars at the exchange rates in effect at the balance sheet date. The resulting translation adjustments are recorded as a component of accumulated other comprehensive income in the stockholders' equity section of the Condensed Consolidated Balance Sheets. The translation of foreign currency into U.S. dollars is reflected as a component of stockholders' equity and does not impact our reported net income (loss).

As more fully described in Item 2 "Management's Discussion and Analysis of Financial Condition and Results of Operations," the Company has credit agreements with Lloyds Bank PLC and Lloyds Bank Commercial Finance Limited, National Australia Bank Limited and other credit agreements with lenders in Belgium and Singapore. The Company does not hedge the interest risk on borrowings under the credit agreements, and accordingly, it is exposed to interest rate risk on the borrowings under such credit agreements. Based on the Company's annual average borrowings in the current year, a 1% increase or decrease in interest rates on the Company's borrowings would not have a material impact on the Company's earnings.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, has conducted an evaluation of the design and operation of the Company's disclosure controls and procedures, as such term is defined under Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended. Based on this evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of June 30, 2016.

Changes in internal control over financial reporting

There were no changes in the Company's internal control over financial reporting that occurred during the six months ended June 30, 2016 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The Company is involved in various legal proceedings that are incidental to the conduct of its business. The Company is not involved in any pending legal proceeding that it believes would reasonably be expected to have a material adverse effect on its financial condition or results of operations.

ITEM 1A. RISK FACTORS

As of June 30, 2016, there have not been any material changes to the information set forth in Item 1A. "Risk Factors" disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2015.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The following table summarizes purchases of common stock by the Company during the quarter ended June 30, 2016.

Period	Total Number of Shares Purchased (b)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (a)
April 1, 2016 - April 30, 2016	—	\$	—180,236	\$ 7,160,623
May 1, 2016 - May 31, 2016	—	—	148,513	6,810,114
June 1, 2016 - June 30, 2016	—	—	253,761	6,262,312
Total	—	\$	—582,510	\$ 6,262,312

On July 30, 2015, the Company announced that its Board of Directors authorization the repurchase of up to \$10.0 million of the Company's common stock. The authorization does not expire. See Note 17 for further details. As of (a) June 30, 2016, the Company had repurchased 1,476,257 shares for a total cost of approximately \$3.7 million under this authorization. From time to time, the Company may enter into a Rule 10b5-1 trading plan for purposes of repurchasing common stock under this authorization.

(b) Consisted of shares of restricted stock withheld from employees upon the vesting of such shares to satisfy employees' income tax withholding requirements.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

The exhibits to this Form 10-Q are listed in the Exhibit Index included elsewhere herein.

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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 GLOBAL, INC.
(Registrant)

By: /s/ STEPHEN A. NOLAN
Stephen A. Nolan
Chief Executive Officer
(Principal Executive Officer)

Dated: July 28, 2016

By: /s/ PATRICK LYONS
Patrick Lyons
Chief Financial Officer and Chief Accounting Officer
(Principal Financial Officer and Principal Accounting Officer)

Dated: July 28, 2016

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HUDSON GLOBAL, INC.
FORM 10-Q
EXHIBIT INDEX

Exhibit No.	Description
10.1	Amended and Restated Restricted Stock Award Agreement, dated April 30, 2016 and effective as of May 18, 2015, between Hudson Global, Inc. and Stephen A. Nolan (incorporated by reference to Exhibit 10.1 to Hudson Global, Inc.'s Current Report on Form 8-K dated April 30, 2016 (File No. 0-50129)).
10.2	Amended and Restated Executive Employment Agreement, dated April 30, 2016 and effective as of May 18, 2015, between Hudson Global, Inc. and Stephen A. Nolan (incorporated by reference to Exhibit 10.2 to Hudson Global, Inc.'s Current Report on Form 8-K dated April 30, 2016 (File No. 0-50129)).
10.3	Hudson Global, Inc. 2009 Incentive Stock and Awards Plan, as Amended and Restated (incorporated by reference to Exhibit A to the Company's definitive proxy statement filed with the Securities Exchange Commission on Schedule 14A on April 13, 2016 (File No. 0-50129)).
31.1	Certification by the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act.
31.2	Certification by the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act.
32.1	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350.
32.2	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350.
101	The following materials from Hudson Global, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2016 are filed herewith, formatted in XBRL (Extensible Business Reporting Language): (i) the Condensed Consolidated Statements of Operations for the three and six months ended June 30, 2016 and 2015, (ii) the Condensed Consolidated Statement of Other Comprehensive Income (Loss) for the three and six months ended June 30, 2016 and 2015, (iii) the Condensed Consolidated Balance Sheets as of June 30, 2016 and December 31, 2015, (iv) the Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2016 and 2015, (v) the Condensed Consolidated Statement of Stockholders' Equity for the six months ended June 30, 2016, and (vi) Notes to Condensed Consolidated Financial Statements.