

Hudson Global, Inc.  
Form 10-Q  
August 03, 2017

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

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FORM 10-Q

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

For the quarterly period ended June 30, 2017

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

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

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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)

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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, a smaller reporting company, or an emerging growth company. See definition of "large accelerated filer", "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

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Large accelerated filer  Accelerated filer  x  
Non-accelerated filer  (do not check if a smaller reporting company) Smaller reporting company  x  
Emerging growth company  o

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.  o

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

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, 2017 |
|----------------------------------|------------------------------|
| Common Stock - \$0.001 par value | 31,390,821                   |

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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 |           | Six Months Ended |            |   |
|--|--------------------|-----------|------------------|------------|---|
|  | June 30,           |           | June 30,         |            |   |
|  | 2017               | 2016      | 2017             | 2016       |   |
| Revenue  | \$113,591          | \$113,067 | \$216,996        | \$214,294  |   |
| Direct costs   | 65,265             | 66,228    | 126,238          | 126,193    |   |
| Gross margin   | 48,326             | 46,839    | 90,758           | 88,101     |   |
| Operating expenses:  |                    |           |                  |            |   |
| Salaries and related   | 36,062             | 38,582    | 69,504           | 72,132     |   |
| Other selling, general and administrative                                  | 9,363              | 9,733     | 18,190           | 19,825     |   |
| Depreciation and amortization  | 687                | 805       | 1,353            | 1,493      |   |
| Business reorganization  | (63                | ) 144     | 159              | 781        |   |
| Operating income (loss)  | 2,277              | (2,425    | ) 1,552          | (6,130     | ) |
| Non-operating income (expense):  |                    |           |                  |            |   |
| Interest income (expense), net   | (119               | ) (101    | ) (207           | ) (155     | ) |
| Other income (expense), net  | (9                 | ) (13     | ) (390           | ) (150     | ) |
| Income (loss) from continuing operations before provision for income taxes | 2,149              | (2,539    | ) 955            | (6,435     | ) |
| Provision for income taxes from continuing operations                      | 870                | 808       | 1,025            | 482        |   |
| Income (loss) from continuing operations                                   | 1,279              | (3,347    | ) (70            | ) (6,917   | ) |
| Income (loss) from discontinued operations, net of income taxes            | (53                | ) 209     | (18              | ) 292      |   |
| Net income (loss)  | \$1,226            | \$(3,138  | ) \$(88          | ) \$(6,625 | ) |
| Basic and diluted earnings (loss) per share:                               |                    |           |                  |            |   |
| Basic and diluted earnings (loss) per share from continuing operations     | \$0.04             | \$(0.10   | ) \$—            | \$(0.21    | ) |
| Basic and diluted earnings (loss) per share from discontinued operations   | —                  | 0.01      | —                | 0.01       |   |
| Basic and diluted earnings (loss) per share                                | \$0.04             | \$(0.09   | ) \$—            | \$(0.20    | ) |
| Weighted-average shares outstanding:                                       |                    |           |                  |            |   |
| Basic  | 32,048             | 33,252    | 32,104           | 33,434     |   |
| Diluted  | 32,048             | 33,252    | 32,104           | 33,434     |   |
| Dividends declared per common share  | \$—                | \$0.05    | \$—              | \$0.10     |   |

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, |           |
|   | 2017           | 2016      | 2017           | 2016      |
| Comprehensive income (loss):  |                |           |                |           |
| Net income (loss)   | \$1,226        | \$(3,138) | \$(88)         | \$(6,625) |
| Other comprehensive income (loss):                                      |                |           |                |           |
| Foreign currency translation adjustment, net of applicable income taxes | 1,221          | (1,833)   | 2,629          | (1,164)   |
| Pension liability adjustment, net of income taxes                       | 5              | (9)       | 4              | (7)       |
| Total other comprehensive income (loss), net of income taxes            | 1,226          | (1,842)   | 2,633          | (1,171)   |
| Comprehensive income (loss)   | \$2,452        | \$(4,980) | \$2,545        | \$(7,796) |

See accompanying notes to condensed consolidated financial statements.

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

|   | June 30,<br>2017 | December 31,<br>2016 |
|---|------------------|----------------------|
| <b>ASSETS</b>   |                  |                      |
| Current assets:   |                  |                      |
| Cash and cash equivalents   | \$ 14,859        | \$ 21,322            |
| Accounts receivable, less allowance for doubtful accounts of \$696 and \$799, respectively                | 72,147           | 58,517               |
| Prepaid and other   | 5,987            | 4,265                |
| Current assets of discontinued operations   | 38               | 38                   |
| Total current assets  | 93,031           | 84,142               |
| Property and equipment, net   | 6,495            | 7,041                |
| Deferred tax assets, non-current  | 6,876            | 6,494                |
| Other assets, non-current   | 3,646            | 4,135                |
| Total assets  | \$ 110,048       | \$ 101,812           |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>   |                  |                      |
| Current liabilities:  |                  |                      |
| Accounts payable  | \$ 7,402         | \$ 4,666             |
| Accrued expenses and other current liabilities  | 41,198           | 36,154               |
| Short-term borrowings   | 6,763            | 7,770                |
| Accrued business reorganization   | 1,266            | 1,756                |
| Current liabilities of discontinued operations  | 25               | 233                  |
| Total current liabilities   | 56,654           | 50,579               |
| Deferred rent and tenant improvement contributions  | 2,489            | 2,968                |
| Income tax payable, non-current   | 2,140            | 2,211                |
| Other non-current liabilities   | 4,154            | 4,169                |
| Total liabilities   | 65,437           | 59,927               |
| 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 34,959 and 34,910 shares, respectively | 34               | 34                   |
| Additional paid-in capital  | 482,973          | 482,265              |
| Accumulated deficit   | (440,566 )       | (440,478 )           |
| Accumulated other comprehensive income, net of applicable tax   | 9,564            | 6,931                |
| Treasury stock, 3,568 and 3,145 shares, respectively, at cost   | (7,394 )         | (6,867 )             |
| Total stockholders' equity  | 44,611           | 41,885               |
| Total liabilities and stockholders' equity  | \$ 110,048       | \$ 101,812           |

See accompanying notes to condensed consolidated financial statements.

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

|  | Six Months Ended<br>June 30, |            |
|--|------------------------------|------------|
|  | 2017                         | 2016       |
| Cash flows from operating activities:  |                              |            |
| Net income (loss)  | \$(88 )                      | \$(6,625 ) |
| Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities: |                              |            |
| Depreciation and amortization  | 1,353                        | 1,493      |
| Provision for (recovery of) doubtful accounts  | 33                           | 113        |
| Provision for (benefit from) deferred income taxes   | 34                           | (431 )     |
| Stock-based compensation   | 708                          | 1,126      |
| Other, net   | —                            | 189        |
| Changes in assets and liabilities:   |                              |            |
| Decrease (increase) in accounts receivable   | (9,828 )                     | (6,319 )   |
| Decrease (increase) in prepaid and other assets  | (833 )                       | 703        |
| Increase (decrease) in accounts payable, accrued expenses and other liabilities                    | 5,195                        | 1,562      |
| Increase (decrease) in accrued business reorganization   | (1,087 )                     | (1,884 )   |
| Net cash used in operating activities  | (4,513 )                     | (10,073 )  |
| Cash flows from investing activities:  |                              |            |
| Capital expenditures   | (425 )                       | (1,194 )   |
| Proceeds from sale of assets   | —                            | 32         |
| Net cash used in investing activities  | (425 )                       | (1,162 )   |
| Cash flows from financing activities:  |                              |            |
| Borrowings under credit agreements   | 77,256                       | 56,229     |
| Repayments under credit agreements   | (78,923 )                    | (51,430 )  |
| Repayment of capital lease obligations   | (50 )                        | (42 )      |
| Dividend payments  | —                            | (3,401 )   |
| Purchase of treasury stock   | (522 )                       | (2,352 )   |
| Purchase of restricted stock from employees  | (5 )                         | —          |
| Net cash used in financing activities  | (2,244 )                     | (996 )     |
| Effect of exchange rates on cash and cash equivalents  | 719                          | (493 )     |
| Net decrease in cash and cash equivalents  | (6,463 )                     | (12,724 )  |
| Cash and cash equivalents, beginning of the period   | 21,322                       | 37,663     |
| Cash and cash equivalents, end of the period   | \$14,859                     | \$24,939   |
| Supplemental disclosures of cash flow information:   |                              |            |
| Cash paid during the period for interest   | \$211                        | \$140      |
| Net cash payments during the period for income taxes   | \$854                        | \$324      |

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, 2016   | 31,765       | \$ 34 | \$ 482,265                 | \$ (440,478 )       | \$ 6,931                                      | \$(6,867)      | \$41,885 |
| Net income (loss)  | —            | —     | —                          | (88 )               | —   | —              | (88 )    |
| Other comprehensive income (loss),<br>currency translation adjustments, net of<br>applicable tax | —            | —     | —                          | —                   | 2,629   | —              | 2,629    |
| Other comprehensive income (loss),<br>pension liability adjustment, net of income<br>tax         | —            | —     | —                          | —                   | 4   | —              | 4        |
| Purchase of treasury stock   | (418 )       | —     | —                          | —                   | —   | (522 )         | (522 )   |
| Purchase of restricted stock from<br>employees   | (5 )         | —     | —                          | —                   | —   | (5 )           | (5 )     |
| Stock-based compensation   | 49           | —     | 708                        | —                   | —   | —              | 708      |
| Balance at June 30, 2017   | 31,391       | \$ 34 | \$ 482,973                 | \$ (440,566 )       | \$ 9,564                                      | \$(7,394)      | \$44,611 |

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 Article 8 of Regulation S-X of the United States Securities and Exchange Commission ("SEC") for interim financial reporting, 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, 2016.

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. Certain prior period amounts have been reclassified to conform to the current year presentation with no material impact on the condensed consolidated financial statements.

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, Contracting, Recruitment Process Outsourcing ("RPO") and Talent Management Solutions.

The Company operates in 13 countries with three reportable geographic business segments: Hudson Americas, Hudson Asia Pacific, and Hudson Europe. See Note 17 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:

**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.

**Contracting:** In 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.

**RPO:** Hudson RPO delivers permanent recruitment and 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.

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HUDSON GLOBAL, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(in thousands, except share and per share amounts)

(unaudited)

NOTE 3 – RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In May 2017, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") No. 2017-09, "Compensation - Stock Compensation: Scope of Modification Accounting," which provides guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting. An entity will account for the effects of a modification unless the fair value of the modified award is the same as the original award, the vesting conditions of the modified award are the same as the original award and the classification of the modified award as an equity instrument or liability instrument is the same as the original award. ASU 2017-09 is effective for all annual periods, and interim periods within those annual periods, beginning after December 15, 2017, with early adoption permitted. The Company is currently evaluating the effect of this update but does not believe it will have a material impact on its financial statements and related disclosures.

In January 2017, the FASB issued ASU 2017-04, "Intangibles-Goodwill and Other (Topic 350) Simplifying the Test for Goodwill Impairment." ASU 2017-04 eliminates the previous two-step process that required identification of potential impairment and a separate measure of the actual impairment. The annual assessment of goodwill impairment will be determined by using the difference between the carrying amount and the fair value of the reporting unit. ASU 2017-04 is effective for fiscal years beginning after December 15, 2019, including interim periods within that reporting period. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The Company is currently evaluating the effect of this update but does not believe it will have a material impact on its consolidated financial statements.

In November 2016, the FASB issued ASU No. 2016-18 "Statement of Cash Flows (Topic 230): Restricted Cash" ("ASU 2016-18"), which requires the inclusion of restricted cash with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. ASU 2016-18 is effective for public business entities for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. The Company is currently evaluating the impact to its consolidated financial statements.

In August 2016, the FASB issued ASU No. 2016-15, "Statement of Cash Flows (Topic 230) - Classification of Certain Cash Receipts and Cash Payments" ("ASU 2016-15"), which provides clarification on how companies present and classify certain cash receipts and cash payments in the statement of cash flows. ASU 2016-15 will be effective for fiscal years beginning after December 15, 2017 and interim periods within those fiscal years. Early adoption is permitted. An entity that elects early adoption must adopt all of the amendments in the same period. 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)." ASU 2014-09 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. ASU 2014-09 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 ASU 2014-09 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 two permitted transition methods under the new standard are the full retrospective method, in which case the standard would be applied to each prior reporting period presented, or the modified retrospective method, in which case the cumulative effect of applying the standard would be recognized at the date of initial application. We are evaluating the impact of this ASU as it relates to our revenue streams, as well as certain associated expenses. However, we are unable at this time to assess whether the application of this ASU has a material impact on the recognition or disclosures of our revenues. Depending on the results of our review, there could be changes to the classification

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HUDSON GLOBAL, INC.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(in thousands, except share and per share amounts)

(unaudited)

and timing of recognition of revenues and expenses. We expect to complete our assessment process, including selecting a transition method for adoption, by the end of the third quarter of 2017 along with our implementation process prior to the adoption of ASU 2014-09 on January 1, 2018.

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.

## NOTE 4 – 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. The Company concluded that the divestiture of the Legal eDiscovery business meets 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 included in discontinued operations were as follows:

|                       | June 30, December 31, |        |
|-----------------------|-----------------------|--------|
|                       | 2017                  | 2016   |
| Total current assets  | \$ 38                 | \$ 38  |
| Total liabilities (a) | \$ 25                 | \$ 291 |

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

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

|  | Three<br>Months<br>Ended June<br>30,<br>2017 2016 |        |
|--|---|--------|
| Gross margin   | —   | 58     |
| Reorganization   | 62  | (201 ) |
| Income (loss) from discontinued operations before income taxes | (61 )   | 247    |
| Provision (benefit) for income taxes                           | (8 )  | 38     |
| Income (loss) from discontinued operations                     | \$(53)  | \$209  |
|  | Six Months<br>Ended June<br>30,<br>2017 2016      |        |
| Gross margin   | —   | 59     |
| Reorganization   | 18  | (341 ) |
| Income (loss) from discontinued operations before income taxes | (18 )   | 356    |
| Provision (benefit) for income taxes                           | —   | 64     |

|  |                |
|--|----------------|
| Income (loss) from discontinued operations | \$ (18) \$ 292 |
|--|----------------|

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HUDSON GLOBAL, INC.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(in thousands, except share and per share amounts)

(unaudited)

## NOTE 5 – REVENUE, DIRECT COSTS AND GROSS MARGIN

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

|                  | Three Months Ended June 30, 2017 |                       |                   |          |            |
|------------------|----------------------------------|-----------------------|-------------------|----------|------------|
|                  | Contracting                      | Permanent Recruitment | Talent Management | Other    | Total      |
| Revenue          | \$70,264                         | \$ 32,190             | \$ 10,559         | \$578    | \$ 113,591 |
| Direct costs (1) | 62,093                           | 708                   | 1,910             | 554      | 65,265     |
| Gross margin     | \$ 8,171                         | \$ 31,482             | \$ 8,649          | \$24     | \$48,326   |
|                  | Three Months Ended June 30, 2016 |                       |                   |          |            |
|                  | Contracting                      | Permanent Recruitment | Talent Management | Other    | Total      |
| Revenue          | \$72,035                         | \$ 29,491             | \$ 11,013         | \$528    | \$ 113,067 |
| Direct costs (1) | 62,956                           | 611                   | 2,116             | 545      | 66,228     |
| Gross margin     | \$9,079                          | \$ 28,880             | \$ 8,897          | \$(17 )  | \$46,839   |
|                  | Six Months Ended June 30, 2017   |                       |                   |          |            |
|                  | Contracting                      | Permanent Recruitment | Talent Management | Other    | Total      |
| Revenue          | \$136,716                        | \$ 60,208             | \$ 18,976         | \$1,096  | \$216,996  |
| Direct costs (1) | 120,518                          | 1,216                 | 3,415             | 1,089    | 126,238    |
| Gross margin     | \$16,198                         | \$ 58,992             | \$ 15,561         | \$7      | \$90,758   |
|                  | Six Months Ended June 30, 2016   |                       |                   |          |            |
|                  | Contracting                      | Permanent Recruitment | Talent Management | Other    | Total      |
| Revenue          | \$137,890                        | \$ 56,062             | \$ 19,449         | \$893    | \$214,294  |
| Direct costs (1) | 120,178                          | 1,185                 | 3,799             | 1,031    | 126,193    |
| Gross margin     | \$17,712                         | \$ 54,877             | \$ 15,650         | \$(138 ) | \$88,101   |

Direct costs in 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, Talent Management and Other category include direct costs for out-of-pocket (1) expenses and 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 "Salaries and related" in the Condensed Consolidated Statement of Operations.

(2) Talent Management has been recast from Other in this disclosure.

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## NOTE 6 – 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, 2017, there were 1,848,602 shares of the Company's common stock available for future issuance under the ISAP.

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, 2017 was as follows:

|  | Number of<br>Restricted<br>Stock<br>Units<br>Granted |
|--|--|
| Vesting conditions                         |  |
| Performance and service conditions (1) (2) | 990,000  |

(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) 33% of the restricted stock units will vest on the first anniversary of the grant date;
- (b) 33% of the restricted stock units will vest on the second anniversary of the grant date; and
- (c) 34% of the restricted stock units will vest on the third anniversary of the grant date; provided that, in each case, the employee remains employed by the Company from the grant date through the applicable service vesting date.

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, 2017,

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the Company granted 333,033 restricted stock units to its non-employee directors pursuant to the Director Plan. As of June 30, 2017, non-employee directors held a total of 792,689 deferred restricted stock units.

For the three and six months ended June 30, 2017 and 2016, the Company's stock-based compensation expense related to stock options, restricted stock and restricted stock units were as follows:

|                        | Three<br>Months<br>Ended<br>June 30,<br>2017 |       | Six Months<br>Ended<br>June 30,<br>2016 |         |
|------------------------|--|-------|---|---------|
| Stock options          | \$—  | \$5   | \$—                                     | \$10    |
| Restricted stock       | —  | 220   | —                                       | 460     |
| Restricted stock units | 517  | 529   | 708                                     | 656     |
| Total                  | \$517  | \$754 | \$708                                   | \$1,126 |

**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, 2017, the Company had no unrecognized stock-based compensation expense related to outstanding unvested stock options.

Changes in the Company's stock options for the six months ended June 30, 2017 and 2016 were as follows:

|                                   | Six Months Ended June 30,<br>2017 |  | Six Months Ended June 30,<br>2016 |  |
|-----------------------------------|-----------------------------------|--|-----------------------------------|--|
|                                   | Number of<br>Options              | Weighted<br>Average<br>Exercise Price<br>per Share | Number of<br>Options              | Weighted<br>Average<br>Exercise Price<br>per Share |
| Options outstanding at January 1, | 123,500                           | \$ 6.16  | 206,000                           | \$ 8.13  |
| Expired/forfeited                 | (23,500 )                         | 15.97  | (27,500 )                         | 15.86  |
| Options outstanding at June 30,   | 100,000                           | \$ 3.86  | 178,500                           | \$ 6.94  |
| Options exercisable at June 30,   | 100,000                           | \$ 3.86  | 153,500                           | \$ 7.67  |

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## Restricted Stock

As of June 30, 2017, the Company had no unrecognized stock-based compensation expense related to outstanding unvested restricted stock. 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, 2017 and 2016 were as follows:

|   | Six Months Ended June 30,   |   |
|---|---|---|
|   | 2017  | 2016  |
|   | Weighted<br>Number of<br>Average<br>Shares<br>Grant<br>of<br>Date<br>Restricted<br>Fair<br>Stock<br>Value | Weighted<br>Number of<br>Average<br>Shares of Grant<br>Date<br>Restricted<br>Date<br>Stock<br>Fair<br>Value |
| Unvested restricted stock at January 1, | -\$   | —680,000 \$ 1.60  |
| Granted                                 | —   | —   |
| Vested                                  | —   | —   |
| Forfeited                               | —   | (51,800 ) 0.79  |
| Unvested restricted stock at June 30,   | -\$   | —628,200 \$ 1.69  |

## Restricted Stock Units

As of June 30, 2017, the Company had approximately \$928 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 1.73 years. Restricted stock units 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, 2017 and 2016 were as follows:

|   | Six Months Ended June 30,                 |   |   |   |
|---|---|---|---|---|
|   | 2017                                      |   | 2016                                      |   |
|   | Number of<br>Restricted<br>Stock<br>Units | Weighted<br>Average<br>Grant-Date<br>Fair Value | Number of<br>Restricted<br>Stock<br>Units | Weighted<br>Average<br>Grant-Date<br>Fair Value |
| Unvested restricted stock units at January 1, | 480,000                                   | \$ 2.79   | —   | \$ —  |
| Granted                                       | 1,323,033                                 | 1.07  | 684,342                                   | 2.67  |
| Vested  | (381,760 )                                | 1.47  | (184,342)                                 | 2.33  |
| Forfeited                                     | (332,340 )                                | 2.79  | —   | —   |
| Unvested restricted stock units at June 30,   | 1,088,933                                 | \$ 1.16   | 500,000                                   | \$ 2.79   |

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## NOTE 7 – 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, 2017 was \$1,025 on a pre-tax income from continuing operations of \$955, compared to a provision for income taxes of \$482 on pre-tax loss from continuing operations of \$6,435 for the same period in 2016. The Company's effective income tax rate was positive 107.3% and negative 7.5% for the six months ended June 30, 2017 and 2016, respectively. For the six months ended June 30, 2017 and 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.

## Uncertain Tax Positions

As of June 30, 2017 and December 31, 2016, the Company had \$2,140 and \$2,211, 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 \$628 and \$610 as of June 30, 2017 and December 31, 2016, 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 \$3 and \$11 for the six months ended June 30, 2017 and 2016, 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, 2017, 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  | 2013 |
| Majority of U.S. state and local jurisdictions  | 2012 |
| United Kingdom  | 2015 |
| Australia   | 2012 |
| Majority of other non-U.S. jurisdictions  | 2012 |

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, 2017, it is reasonably possible that the total amount of unrecognized tax benefits could decrease in the range of \$200 to \$400 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 8 – 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, 2017 and 2016 were as follows:

|  | Three Months   |           | Six Months     |           |
|--|----------------|-----------|----------------|-----------|
|  | Ended June 30, |           | Ended June 30, |           |
|  | 2017           | 2016      | 2017           | 2016      |
| Earnings (loss) per share ("EPS"):                                       |                |           |                |           |
| EPS - basic and diluted:   |                |           |                |           |
| Income (loss) from continuing operations                                 | \$0.04         | \$(0.10 ) | \$—            | \$(0.21 ) |
| Income (loss) from discontinued operations                               | —              | 0.01      | —              | 0.01      |
| Net income (loss)  | \$0.04         | \$(0.09 ) | \$—            | \$(0.20 ) |
| EPS numerator - basic and diluted:                                       |                |           |                |           |
| Income (loss) from continuing operations                                 | \$1,279        | \$(3,347) | \$(70)         | \$(6,917) |
| Income (loss) from discontinued operations                               | (53 )          | 209       | (18 )          | 292       |
| Net income (loss)  | \$1,226        | \$(3,138) | \$(88)         | \$(6,625) |
| EPS denominator (in thousands):  |                |           |                |           |
| Weighted average common stock outstanding - basic                        | 32,048         | 33,252    | 32,104         | 33,434    |
| Common stock equivalents: stock options and other stock-based awards (a) | —              | —         | —              | —         |
| Weighted average number of common stock outstanding - diluted            | 32,048         | 33,252    | 32,104         | 33,434    |

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 the effects of any potential common (a) stock equivalents (see Note 6 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, 2017 and 2016 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, 2017      | 2016    | June 30, 2017    | 2016    |
| Unvested restricted stock       | —                  | 330,000 | —                | 330,000 |
| Unvested restricted stock units | 1,088,933          | 39,458  | 1,088,933        | 39,458  |
| Stock options                   | 100,000            | 178,500 | 100,000          | 178,500 |
| Total                           | 1,188,933          | 547,958 | 1,188,933        | 547,958 |

## NOTE 9 – RESTRICTED CASH

A summary of the Company's restricted cash included in the accompanying Condensed Consolidated Balance Sheets as of June 30, 2017 and December 31, 2016 was as follows:

|  | June 30, December 31, |          |
|--|-----------------------|----------|
|  | 2017                  | 2016     |
| Included under the caption "Prepaid and other":    |                       |          |
| Client guarantees                                  | \$ 180                | \$ 139   |
| Other  | 115                   | 108      |
| Total amount under the caption "Prepaid and other" | \$ 295                | \$ 247   |
| Included under the caption "Other assets":         |                       |          |
| Collateral accounts                                | \$ 131                | \$ 557   |
| Rental deposits                                    | 516                   | 385      |
| Total amount under the caption "Other assets"      | \$ 647                | \$ 942   |
| Total restricted cash                              | \$ 942                | \$ 1,189 |

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

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## NOTE 10 – PROPERTY AND EQUIPMENT, NET

As of June 30, 2017 and December 31, 2016, property and equipment, net, was as follows:

|   | June 30, December 31, |          |
|---|-----------------------|----------|
|   | 2017                  | 2016     |
| Computer equipment                              | \$ 6,320              | \$ 5,888 |
| Furniture and equipment                         | 2,443                 | 2,244    |
| Capitalized software costs                      | 18,123                | 17,010   |
| Leasehold improvements                          | 14,448                | 13,699   |
|   | 41,334                | 38,841   |
| Less: accumulated depreciation and amortization | 34,839                | 31,800   |
| Property and equipment, net                     | \$ 6,495              | \$ 7,041 |

The Company had expenditures of approximately \$190 and \$235 for acquired property and equipment, mainly consisting of software and computer equipment, which had not been placed in service as of June 30, 2017 and December 31, 2016, 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, 2017 and December 31, 2016 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, 2017 and December 31, 2016. A summary of the Company's lease obligations for equipment acquired under capital lease agreements were as follows:

|                                       | June 30, December 31, |        |
|---------------------------------------|-----------------------|--------|
|                                       | 2017                  | 2016   |
| Capital lease obligation, current     | \$ 72                 | \$ 65  |
| Capital lease obligation, non-current | \$ 101                | \$ 140 |

## NOTE 11 – 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, 2017 and December 31, 2016. 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          |       |
| 2017                    |       |
| Goodwill, January 1, \$ | 1,812 |
| Currency translation    | 44    |
| Goodwill, June 30, \$   | 1,856 |

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## NOTE 12 – BUSINESS REORGANIZATION

The Board approved 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, 2017, restructuring charges associated with these initiatives primarily included changes in estimates for lease termination payments for rationalized offices in Europe under the Previous Plans. Business reorganization for the three and six months ended June 30, 2017 and 2016 by plan were as follows:

|   | Three<br>Months<br>Ended June<br>30, |       | Six Months<br>Ended June<br>30, |       |
|---|--------------------------------------|-------|---------------------------------|-------|
|   | 2017                                 | 2016  | 2017                            | 2016  |
| Previous Plans                                | \$(63)                               | \$144 | \$159                           | \$781 |
| Total reorganization in continuing operations | \$(63)                               | \$144 | \$159                           | \$781 |

The following table contains amounts for Changes in Estimate and Payments related to the Previous Plans that were incurred or recovered during the six months ended June 30, 2017 in continuing operations. The amounts in the "Changes in Estimate" and "Additional Charges" columns are classified as business reorganization in the Company's Condensed Consolidated Statement of Operations. Changes in the accrued business reorganization for the six months ended June 30, 2017 were as follows:

|                               | December 31,<br>2016 | Changes in<br>Estimate | Additional<br>Charges | Payments  | June 30,<br>2017 |
|-------------------------------|----------------------|------------------------|-----------------------|-----------|------------------|
| Lease termination payments    | \$ 2,273             | \$ 142                 | \$ —                  | \$ (677 ) | \$ 1,738         |
| Employee termination benefits | 266                  | (8 )                   | —                     | (137 )    | 121              |
| Other associated costs        | 32                   | —                      | 25                    | (23 )     | 34               |
| Total                         | \$ 2,571             | \$ 134                 | \$ 25                 | \$ (837 ) | \$ 1,893         |



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## NOTE 13 – 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 legal reserves are included under the caption "Other non-current liabilities" in the Condensed Consolidated Balance Sheets. The Company's reserves were \$114 and \$105 as of June 30, 2017 and December 31, 2016, 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 was 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. 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 non-current 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, 2017 and December 31, 2016 were as follows:

|   | June 30, December 31, |          |
|---|-----------------------|----------|
|   | 2017                  | 2016     |
| Current portion of asset retirement obligations     | \$ 68                 | \$ 78    |
| Non-current portion of asset retirement obligations | 1,856                 | 1,693    |
| Total asset retirement obligations                  | \$ 1,924              | \$ 1,771 |



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## NOTE 14 – 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"). Until September 15, 2016, the Lloyds Agreement provided the U.K. Borrower with the ability to borrow up to \$19,536 (£15,000), at which time the U.K. Borrower entered into an amendment to the Lloyds Agreement that reduced the borrowing limit to \$15,629 (£12,000). 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 was 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 contracting and permanent recruitment activities in the U.K. operations ("Lloyds Tranche A"). The borrowing limit of Lloyds Tranche A is \$14,978 (£11,500) and is based on 83% of eligible billed 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 \$651 (£500) and is based on 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 \$2,605 (£2,000).

The details of the Lloyds Agreement as of June 30, 2017 were as follows:

|   |                  |
|---|------------------|
|   | June 30,<br>2017 |
| Borrowing capacity                      | \$9,550          |
| Less: outstanding borrowing             | (848 )           |
| Additional borrowing availability       | \$8,702          |
| Interest rates on outstanding borrowing | 2.00 %           |

The Company was in compliance with all financial covenants under the Lloyds Agreement as of June 30, 2017.

## 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 \$2,307 (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 \$19,223 (AUD 25,000) for Hudson Australia, which is based on an agreed percentage of eligible accounts receivable, and of which up to \$3,076 (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

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HUDSON GLOBAL, INC.

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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 (AUD 6) per month.

The New Zealand Receivables Agreement provides a receivables facility of up to \$3,668 (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, 2017 were as follows:

|  | June 30,<br>2017 |
|--|------------------|
| Finance Agreement:                                 |                  |
| Financial guarantee capacity                       | \$2,307          |
| Less: outstanding financial guarantees             | (2,024 )         |
| Additional availability for financial guarantees   | \$283            |
| Interest rates on outstanding financial guarantees | 1.50 %           |
| Australian Receivables Agreement:                  |                  |
| Borrowing capacity                                 | \$16,413         |
| Less: outstanding borrowing                        | (5,801 )         |
| Additional borrowing availability                  | \$10,612         |
| Interest rates on outstanding borrowing            | 3.17 %           |
| New Zealand Receivables Agreement:                 |                  |
| Borrowing capacity                                 | \$2,256          |
| Less: outstanding borrowing                        | —                |
| Additional borrowing availability                  | \$2,256          |
| Interest rates on outstanding borrowing            | 4.00 %           |

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, 2017.  
Other Credit Agreements

The Company also has lending arrangements with local banks through its subsidiaries in Belgium and Singapore. The Belgium subsidiary has a \$1,143 (€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, 2017. The lending arrangement in Belgium has no expiration date and can be terminated with a 15-day notice period. There were no outstanding borrowings under the Belgium lending agreement as of June 30, 2017.

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In Singapore, the Company's subsidiary can borrow up to \$145 (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, 2017. The Singapore overdraft facility expires annually each August, but can be renewed for one year periods at that time. As of June 30, 2017, the Singapore overdraft facility had outstanding borrowings of \$114 (SGD 156) and additional borrowings availability of \$32 (SGD 44).

The average aggregate monthly outstanding borrowings under the Lloyds Agreement, NAB Facility Agreement and the credit agreements in Belgium and Singapore were \$11,282 for the six months ended June 30, 2017. The weighted average interest rate on all outstanding borrowings for the six months ended June 30, 2017 was 3.07%.

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 15 – ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

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

|   | June<br>30,<br>2017 | December<br>31,<br>2016 |
|---|---------------------|-------------------------|
| Foreign currency translation adjustments      | \$9,455             | \$ 6,826                |
| Pension plan obligations                      | 109                 | 105                     |
| Accumulated other comprehensive income (loss) | \$9,564             | \$ 6,931                |

## NOTE 16 – STOCKHOLDERS' EQUITY

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, 2017, the Company repurchased 140,839 and 417,864 shares on the open market for a total cost of \$193 and \$522, respectively. During 2016, the Company purchased 1,100,000 shares from Sagard Capital Partners, L.P. in a private transaction pursuant to a securities purchase agreement for a total cost of \$1,980 or \$1.80 per share. As of June 30, 2017, under the July 30, 2015 authorization, the Company had repurchased 3,406,991 shares for a total cost of \$7,035.

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NOTE 17 – 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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(unaudited)

|   | Hudson<br>Americas | Hudson<br>Asia Pacific | Hudson<br>Europe | Corporate  | Elimination | Total      |
|---|--------------------|------------------------|------------------|------------|-------------|------------|
| For The Three Months Ended June 30, 2017                            |                    |                        |                  |            |             |            |
| Revenue, from external customers                                    | \$ 4,161           | \$ 69,264              | \$ 40,166        | \$ —       | \$ —        | \$ 113,591 |
| Inter-segment revenue   | —                  | —                      | 67               | —          | (67 )       | —          |
| Total revenue   | \$ 4,161           | \$ 69,264              | \$ 40,233        | \$ —       | \$ (67 )    | \$ 113,591 |
| Gross margin, from external customers                               | \$ 3,735           | \$ 23,432              | \$ 21,159        | \$ —       | \$ —        | \$ 48,326  |
| Inter-segment gross margin  | (4 )               | (60 )                  | 65               | —          | (1 )        | —          |
| Total gross margin  | \$ 3,731           | \$ 23,372              | \$ 21,224        | \$ —       | \$ (1 )     | \$ 48,326  |
| Business reorganization   | \$ 1               | \$ —                   | \$(64 )          | \$ —       | \$ —        | \$(63 )    |
| EBITDA (loss) (a)   | \$ 301             | \$ 1,309               | \$ 2,612         | \$(1,267 ) | \$ —        | \$ 2,955   |
| Depreciation and amortization                                       | —                  | 437                    | 171              | 79         | —           | 687        |
| Intercompany interest income (expense), net                         | —                  | —                      | (46 )            | 46         | —           | —          |
| Interest income (expense), net                                      | —                  | (116 )                 | —                | (3 )       | —           | (119 )     |
| Income (loss) from continuing operations before income taxes        | \$ 301             | \$ 756                 | \$ 2,395         | \$(1,303 ) | \$ —        | \$ 2,149   |
| For The Six Months Ended June 30, 2017                              |                    |                        |                  |            |             |            |
| Revenue, from external customers                                    | \$ 8,475           | \$ 128,974             | \$ 79,547        | \$ —       | \$ —        | \$ 216,996 |
| Inter-segment revenue   | —                  | —                      | 129              | —          | (129 )      | —          |
| Total revenue   | \$ 8,475           | \$ 128,974             | \$ 79,676        | \$ —       | \$ (129 )   | \$ 216,996 |
| Gross margin, from external customers                               | \$ 7,571           | \$ 43,166              | \$ 40,021        | \$ —       | \$ —        | \$ 90,758  |
| Inter-segment gross margin  | (8 )               | (119 )                 | 127              | —          | —           | —          |
| Total gross margin  | \$ 7,563           | \$ 43,047              | \$ 40,148        | \$ —       | \$ —        | \$ 90,758  |
| Business reorganization   | \$(91 )            | \$ —                   | \$ 272           | \$(22 )    | \$ —        | \$ 159     |
| EBITDA (loss) (a)   | \$ 635             | \$ 617                 | \$ 3,440         | \$(2,177 ) | \$ —        | \$ 2,515   |
| Depreciation and amortization                                       | 2                  | 865                    | 328              | 158        | —           | 1,353      |
| Intercompany interest income (expense), net                         | —                  | —                      | (89 )            | 89         | —           | —          |
| Interest income (expense), net                                      | —                  | (213 )                 | 6                | —          | —           | (207 )     |
| Income (loss) from continuing operations before income taxes        | \$ 633             | \$ (461 )              | \$ 3,029         | \$(2,246 ) | \$ —        | \$ 955     |
| As of June 30, 2017   |                    |                        |                  |            |             |            |
| Accounts receivable, net  | \$ 2,378           | \$ 39,258              | \$ 30,511        | \$ —       | \$ —        | \$ 72,147  |
| Long-lived assets, net of accumulated depreciation and amortization | \$ —               | \$ 6,801               | \$ 1,426         | \$ 209     | \$ —        | \$ 8,436   |
| Total assets  | \$ 5,674           | \$ 57,133              | \$ 44,980        | \$ 2,261   | \$ —        | \$ 110,048 |

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(in thousands, except share and per share amounts)

(unaudited)

|   | Hudson<br>Americas | Hudson<br>Asia Pacific | Hudson<br>Europe | Corporate   | Inter-<br>segment<br>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   | \$ (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   |
| Business reorganization   | \$ (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  |

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, 2017 and 2016 and long-lived assets and net assets by geographic area as of June 30, 2017 and 2016 were as follows:

|   | United<br>Kingdom | Australia | China     | United<br>States | Continental<br>Europe | Other<br>Asia Pacific | Other<br>Americas | Total      |
|---|-------------------|-----------|-----------|------------------|-----------------------|-----------------------|-------------------|------------|
| For The Three Months Ended June 30, 2017                                      |                   |           |           |                  |                       |                       |                   |            |
| Revenue (a)   | \$ 24,317         | \$ 53,312 | \$ 4,385  | \$ 3,942         | \$ 15,849             | \$ 11,567             | \$ 219            | \$ 113,591 |
| For The Three Months Ended June 30, 2016                                      |                   |           |           |                  |                       |                       |                   |            |
| Revenue (a)   | \$ 32,464         | \$ 47,882 | \$ 4,293  | \$ 3,462         | \$ 14,903             | \$ 9,864              | \$ 199            | \$ 113,067 |
| For The Six Months Ended June 30, 2017  |                   |           |           |                  |                       |                       |                   |            |
| Revenue (a)   | \$ 49,485         | \$ 99,866 | \$ 8,016  | \$ 8,047         | \$ 30,062             | \$ 21,092             | \$ 428            | \$ 216,996 |
| For The Six Months Ended June 30, 2016  |                   |           |           |                  |                       |                       |                   |            |
| Revenue (a)   | \$ 66,661         | \$ 87,015 | \$ 8,275  | \$ 7,096         | \$ 27,025             | \$ 17,820             | \$ 402            | \$ 214,294 |
| As of June 30, 2017   |                   |           |           |                  |                       |                       |                   |            |
| Long-lived assets, net of<br>accumulated depreciation and<br>amortization (b) | \$ 1,169          | \$ 3,870  | \$ 2,350  | \$ 209           | \$ 257                | \$ 581                | \$ —              | \$ 8,436   |
| Net assets  | \$ 9,839          | \$ 12,847 | \$ 5,581  | \$ 2,244         | \$ 9,911              | \$ 4,352              | \$ (163 )         | \$ 44,611  |
| As of June 30, 2016   |                   |           |           |                  |                       |                       |                   |            |
| Long-lived assets, net of<br>accumulated depreciation and<br>amortization (b) | \$ 1,317          | \$ 4,268  | \$ 2,600  | \$ 544           | \$ 180                | \$ 456                | \$ —              | \$ 9,365   |
| Net assets  | \$ 14,221         | \$ 9,450  | \$ 10,294 | \$ 2,037         | \$ 8,987              | \$ 3,847              | \$ (79 )          | \$ 48,757  |

(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, 2016. 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 17 of this Form 10-Q to the Condensed Consolidated Financial Statements for EBITDA segment reconciliation information. The tables and information in this "Management's Discussion and Analysis of Financial Conditions and Results of Operations" were derived from exact numbers and may have immaterial rounding differences.

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 13 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.
- Building and differentiating the Company's brand through its unique talent solutions offerings.
- Improving further the Company's cost structure and efficiency of its support functions and infrastructure.

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### Current Market Conditions

Economic conditions in most of the world's major markets remain mixed. In the U.K., the referendum to exit the European Union (commonly referred to as "Brexit") adversely impacted global markets, including currencies, and resulted in a decline in the value of the British pound as compared to the U.S. dollar. A weaker British pound compared to the U.S. dollar during a reporting period causes local currency results of the Company's U.K. operations to be translated into fewer U.S. dollars. The Company's U.K. operations, future financial performance and translation of results may be affected, in part, by the outcome of tariff, trade, regulatory, and other negotiations as the U.K. negotiates its exit from the European Union.

Conditions in Continental Europe have shown improvement with GDP growth in most of the major markets, as well as forecasted GDP growth for the remainder of 2017. Australia faces a modest GDP growth outlook for the remainder of 2017, while the outlook for Asia is uncertain given China's growth outlook.

The Company 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 and political conditions and their effect on the demand for the Company's services.

### Financial Performance

The Company achieved positive financial performance for the second quarter of 2017 in most of the major markets in which it operates. On a constant currency basis, for the three months ended June 30, 2017, revenue increased by \$3.9 million, or 3.6%, and gross margin increased by \$2.8 million, or 6.1%, respectively, compared to the same period in 2016.

The changes in revenue and gross margin were driven by strong results in Australia, Asia, the Americas and Continental Europe and partially offset by declines in revenue and gross margin in the U.K.

The following is a summary of the highlights for the three and six months ended June 30, 2017 and 2016. This summary should be considered in the context of the additional disclosures in this MD&A which further highlight the results by segment.

Revenue was \$113.6 million for the three months ended June 30, 2017, compared to \$113.1 million for the same period in 2016, an increase of \$0.5 million, or 0.5%.

On a constant currency basis, the Company's revenue increased \$3.9 million, or 3.6%, mainly due to an increase of \$3.5 million in permanent recruitment revenue (up 12.3% compared to the same period in 2016) and \$0.6 million in contracting revenue (up 0.9% compared to the same period in 2016).

Revenue was \$217.0 million for the six months ended June 30, 2017, compared to \$214.3 million for the same period in 2016, an increase of \$2.7 million, or 1.3%.

On a constant currency basis, the Company's revenue increased \$9.3 million, or 4.5%, mainly due to an increase of \$5.7 million in permanent recruitment revenue (up 10.4% compared to the same period in 2016) and \$3.4 million in contracting revenue (up 2.6% compared to the same period in 2016).

Gross margin was \$48.3 million for the three months ended June 30, 2017, compared to \$46.8 million for the same period in 2016, an increase of \$1.5 million, or 3.2%.

On a constant currency basis, gross margin increased \$2.8 million, or 6.1%, mainly due to an increase of \$3.4 million in permanent recruitment gross margin (up 12.1% compared to the same period in 2016) partially offset by a decrease of \$0.6 million in contracting gross margin (down 6.6% compared to the same period in 2016).

Gross margin was \$90.8 million for the six months ended June 30, 2017, compared to \$88.1 million for the same period in 2016, an increase of \$2.7 million, or 3.0%.

On a constant currency basis, gross margin increased \$5.2 million, or 6.0%, mainly due to an increase of \$5.6 million in permanent recruitment gross margin (up 10.5% compared to the same period in 2016) partially offset by a decrease of \$0.8 million in contracting gross margin (down 5.0% compared to the same period in 2016).

Selling, general and administrative expenses and other non-operating income (expense) ("SG&A and Non-Op") were \$45.4 million for the three months ended June 30, 2017, compared to \$48.3 million for the same period in 2016, a

decrease of \$2.9 million, or 6.0%.

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On a constant currency basis, SG&A and Non-Op decreased \$1.5 million, or 3.2%. SG&A and Non-Op, as a percentage of revenue, were 40.0% for the three months ended June 30, 2017, compared to 42.8% for the same period in 2016.

SG&A and Non-Op were \$88.1 million for the six months ended June 30, 2017, compared to \$92.1 million for the same period in 2016, a decrease of \$4.0 million, or 4.3%.

On a constant currency basis, SG&A and Non-Op decreased \$1.4 million, or 1.6%. SG&A and Non-Op, as a percentage of revenue, were 40.6% for the six months ended June 30, 2017, compared to 43.1% for the same period in 2016.

Business reorganization was a credit of \$0.1 million for the three months ended June 30, 2017, compared to expense of \$0.1 million for the same period in 2016, a decrease of approximately \$0.2 million. On a constant currency basis, business reorganization decreased \$0.2 million.

Business reorganization was \$0.2 million for the six months ended June 30, 2017, compared to \$0.8 million for the same period in 2016, a decrease of approximately \$0.6 million. On a constant currency basis, business reorganization decreased \$0.6 million.

EBITDA was \$3.0 million for the three months ended June 30, 2017, compared to EBITDA loss of \$1.6 million for the same period in 2016, an increase in EBITDA of \$4.6 million. On a constant currency basis, EBITDA increased \$4.5 million.

EBITDA was \$2.5 million for the six months ended June 30, 2017, compared to EBITDA loss of \$4.8 million for the same period in 2016, an increase in EBITDA of \$7.3 million. On a constant currency basis, EBITDA increased \$7.2 million.

Net income was \$1.2 million for the three months ended June 30, 2017, compared to net loss of \$3.1 million for the same period in 2016, an increase in net income of \$4.4 million. On a constant currency basis, net income increased \$4.3 million.

Net loss was \$0.1 million for the six months ended June 30, 2017, compared to net loss of \$6.6 million for the same period in 2016, a decrease in net loss of \$6.5 million. On a constant currency basis, net loss decreased \$6.4 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, 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, 2017 and 2016.



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|  | Three Months Ended June 30, |                   |                      |                   | Six Months Ended June 30, |                   |                      |                   |
|--|-----------------------------|-------------------|----------------------|-------------------|---------------------------|-------------------|----------------------|-------------------|
|  | 2017                        | 2016              |                      |                   | 2017                      | 2016              |                      |                   |
| \$ in thousands                                      | As reported                 | As reported       | Currency translation | Constant currency | As reported               | As reported       | Currency translation | Constant currency |
| <b>Revenue:</b>                                      |                             |                   |                      |                   |                           |                   |                      |                   |
| Hudson Americas                                      | \$4,161                     | \$3,661           | \$(8 )               | \$3,653           | \$8,475                   | \$7,498           | \$—                  | \$7,498           |
| Hudson Asia Pacific                                  | 69,264                      | 62,039            | 458                  | 62,497            | 128,974                   | 113,110           | 2,311                | 115,421           |
| Hudson Europe  | 40,166                      | 47,367            | (3,875 )             | 43,492            | 79,547                    | 93,686            | (8,881 )             | 84,805            |
| <b>Total</b>   | <b>\$113,591</b>            | <b>\$113,067</b>  | <b>\$(3,425 )</b>    | <b>\$109,642</b>  | <b>\$216,996</b>          | <b>\$214,294</b>  | <b>\$(6,570 )</b>    | <b>\$207,724</b>  |
| <b>Gross margin:</b>                                 |                             |                   |                      |                   |                           |                   |                      |                   |
| Hudson Americas                                      | \$3,735                     | \$3,180           | \$(8 )               | \$3,172           | \$7,571                   | \$6,520           | \$1                  | \$6,521           |
| Hudson Asia Pacific                                  | 23,432                      | 22,416            | (12 )                | 22,404            | 43,166                    | 41,187            | 341                  | 41,528            |
| Hudson Europe  | 21,159                      | 21,243            | (1,261 )             | 19,982            | 40,021                    | 40,394            | (2,839 )             | 37,555            |
| <b>Total</b>   | <b>\$48,326</b>             | <b>\$46,839</b>   | <b>\$(1,281 )</b>    | <b>\$45,558</b>   | <b>\$90,758</b>           | <b>\$88,101</b>   | <b>\$(2,497 )</b>    | <b>\$85,604</b>   |
| <b>SG&amp;A and Non-Op (a):</b>                      |                             |                   |                      |                   |                           |                   |                      |                   |
| Hudson Americas                                      | \$3,430                     | \$3,354           | \$(9 )               | \$3,345           | \$7,019                   | \$6,548           | \$(1 )               | \$6,547           |
| Hudson Asia Pacific                                  | 22,069                      | 21,706            | (123 )               | 21,583            | 42,475                    | 41,450            | 266                  | 41,716            |
| Hudson Europe  | 18,676                      | 19,661            | (1,239 )             | 18,422            | 36,435                    | 38,718            | (2,851 )             | 35,867            |
| Corporate  | 1,261                       | 3,607             | —                    | 3,607             | 2,199                     | 5,391             | —                    | 5,391             |
| <b>Total</b>   | <b>\$45,436</b>             | <b>\$48,328</b>   | <b>\$(1,371 )</b>    | <b>\$46,957</b>   | <b>\$88,128</b>           | <b>\$92,107</b>   | <b>\$(2,586 )</b>    | <b>\$89,521</b>   |
| <b>Business reorganization:</b>                      |                             |                   |                      |                   |                           |                   |                      |                   |
| Hudson Americas                                      | \$1                         | \$(22 )           | \$—                  | \$(22 )           | \$(91 )                   | \$(38 )           | \$—                  | \$(38 )           |
| Hudson Asia Pacific                                  | —                           | 77                | (1 )                 | 76                | —                         | 274               | 1                    | 275               |
| Hudson Europe  | (64 )                       | 109               | (5 )                 | 104               | 272                       | 593               | (48 )                | 545               |
| Corporate  | —                           | (20 )             | —                    | (20 )             | (22 )                     | (48 )             | —                    | (48 )             |
| <b>Total</b>   | <b>\$(63 )</b>              | <b>\$144</b>      | <b>\$(6 )</b>        | <b>\$138</b>      | <b>\$159</b>              | <b>\$781</b>      | <b>\$(47 )</b>       | <b>\$734</b>      |
| <b>Operating income (loss):</b>                      |                             |                   |                      |                   |                           |                   |                      |                   |
| Hudson Americas                                      | \$384                       | \$(76 )           | \$(2 )               | \$(78 )           | \$775                     | \$129             | \$(2 )               | \$127             |
| Hudson Asia Pacific                                  | 1,405                       | 626               | 108                  | 734               | 1,093                     | (208 )            | 53                   | (155 )            |
| Hudson Europe  | 2,928                       | 1,918             | (20 )                | 1,898             | 3,886                     | 1,679             | 85                   | 1,764             |
| Corporate  | (2,440 )                    | (4,893 )          | —                    | (4,893 )          | (4,202 )                  | (7,730 )          | —                    | (7,730 )          |
| <b>Total</b>   | <b>\$2,277</b>              | <b>\$(2,425 )</b> | <b>\$86</b>          | <b>\$(2,339 )</b> | <b>\$1,552</b>            | <b>\$(6,130 )</b> | <b>\$136</b>         | <b>\$(5,994 )</b> |
| <b>Net income (loss), consolidated</b>               | <b>\$1,226</b>              | <b>\$(3,138 )</b> | <b>\$85</b>          | <b>\$(3,053 )</b> | <b>\$(88 )</b>            | <b>\$(6,625 )</b> | <b>\$92</b>          | <b>\$(6,533 )</b> |
| <b>EBITDA (loss) from continuing operations (b):</b> |                             |                   |                      |                   |                           |                   |                      |                   |
| Hudson Americas                                      | \$301                       | \$(178 )          | \$(5 )               | \$(183 )          | \$635                     | \$(15 )           | \$2                  | \$(13 )           |
| Hudson Asia Pacific                                  | 1,309                       | 575               | 111                  | 686               | 617                       | (656 )            | 55                   | (601 )            |
| Hudson Europe  | 2,612                       | 1,553             | (16 )                | 1,537             | 3,440                     | 1,223             | 65                   | 1,288             |
| Corporate  | (1,267 )                    | (3,583 )          | —                    | (3,583 )          | (2,177 )                  | (5,339 )          | —                    | (5,339 )          |
| <b>Total</b>   | <b>\$2,955</b>              | <b>\$(1,633 )</b> | <b>\$90</b>          | <b>\$(1,543 )</b> | <b>\$2,515</b>            | <b>\$(4,787 )</b> | <b>\$122</b>         | <b>\$(4,665 )</b> |

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: Salaries and related, Other selling, (a) general and administrative, 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<br>Ended<br>June 30, |           | Six Months<br>Ended<br>June 30, |           |
|--|-----------------------------------|-----------|---------------------------------|-----------|
| \$ in thousands  | 2017                              | 2016      | 2017                            | 2016      |
| Net income (loss)  | \$1,226                           | \$(3,138) | \$(88 )                         | \$(6,625) |
| Adjustment for income (loss) from discontinued operations, net of income taxes | (53 )                             | 209       | (18 )                           | 292       |
| Income (loss) from continuing operations                                       | \$1,279                           | \$(3,347) | \$(70 )                         | \$(6,917) |
| Adjustments to net income (loss) from continuing operations                    |                                   |           |                                 |           |
| Provision for (benefit from) income taxes                                      | 870                               | 808       | 1,025                           | 482       |
| Interest expense, net  | 119                               | 101       | 207                             | 155       |
| Depreciation and amortization expense  | 687                               | 805       | 1,353                           | 1,493     |
| Total adjustments from net income (loss) to EBITDA (loss)                      | 1,676                             | 1,714     | 2,585                           | 2,130     |
| EBITDA (loss) from continuing operations                                       | \$2,955                           | \$(1,633) | \$2,515                         | \$(4,787) |

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## Contracting Data

The following table sets forth the Company's contracting revenue, gross margin, and gross margin as a percentage of revenue for the three and six months ended June 30, 2017 and 2016.

| \$ in thousands                                 | Three Months Ended June 30, |             |                      |                   | Six Months Ended June 30, |             |                      |                   |   |  |
|---|-----------------------------|-------------|----------------------|-------------------|---------------------------|-------------|----------------------|-------------------|---|--|
|   | 2017                        | 2016        |                      |                   | 2017                      | 2016        |                      |                   |   |  |
|   | As reported                 | As reported | Currency translation | Constant currency | As reported               | As reported | Currency translation | Constant currency |   |  |
| <b>CONTRACTING DATA (a):</b>                    |                             |             |                      |                   |                           |             |                      |                   |   |  |
| <b>Revenue:</b>                                 |                             |             |                      |                   |                           |             |                      |                   |   |  |
| Hudson Americas                                 | \$288                       | \$382       | \$—                  | \$382             | \$683                     | \$747       | \$—                  | \$747             |   |  |
| Hudson Asia Pacific                             | 50,007                      | 43,626      | 521                  | 44,147            | 94,006                    | 79,338      | 2,197                | 81,535            |   |  |
| Hudson Europe                                   | 19,969                      | 28,027      | (2,915 )             | 25,112            | 42,027                    | 57,805      | (6,795 )             | 51,010            |   |  |
| Total   | \$70,264                    | \$72,035    | \$(2,394 )           | \$69,641          | \$136,716                 | \$137,890   | \$(4,598 )           | \$133,292         |   |  |
| <b>Gross margin:</b>                            |                             |             |                      |                   |                           |             |                      |                   |   |  |
| Hudson Americas                                 | \$8                         | \$77        | \$—                  | \$77              | \$70                      | \$122       | \$—                  | \$122             |   |  |
| Hudson Asia Pacific                             | 5,384                       | 5,176       | 63                   | 5,239             | 10,421                    | 9,549       | 265                  | 9,814             |   |  |
| Hudson Europe                                   | 2,779                       | 3,826       | (388 )               | 3,438             | 5,707                     | 8,041       | (934 )               | 7,107             |   |  |
| Total   | \$8,171                     | \$9,079     | \$(325 )             | \$8,754           | \$16,198                  | \$17,712    | \$(669 )             | \$17,043          |   |  |
| <b>Gross margin as a percentage of revenue:</b> |                             |             |                      |                   |                           |             |                      |                   |   |  |
| Hudson Americas                                 | 2.8                         | % 20.2      | % N/A                | 20.2              | % 10.2                    | % 16.3      | % N/A                | 16.3              | % |  |
| Hudson Asia Pacific                             | 10.8                        | % 11.9      | % N/A                | 11.9              | % 11.1                    | % 12.0      | % N/A                | 12.0              | % |  |
| Hudson Europe                                   | 13.9                        | % 13.7      | % N/A                | 13.7              | % 13.6                    | % 13.9      | % N/A                | 13.9              | % |  |
| Total   | 11.6                        | % 12.6      | % N/A                | 12.6              | % 11.8                    | % 12.8      | % N/A                | 12.8              | % |  |

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 (a) Company's peers. Contracting gross margin is derived by deducting the direct costs of contracting from contracting revenue. The Company's calculation of gross margin may differ from that of other companies. See Note 5 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, |                     |                        |                |
|-------------------------|-----------------------------|---------------------|------------------------|----------------|---------------------------|---------------------|------------------------|----------------|
|                         | 2017<br>As reported         | 2016<br>As reported | Change<br>in<br>amount | Change<br>in % | 2017<br>As reported       | 2016<br>As reported | Change<br>in<br>amount | Change<br>in % |
| Hudson Americas Revenue | \$4.2                       | \$ 3.7              | \$ 0.5                 | 13.7 %         | \$8.5                     | \$ 7.5              | \$ 1.0                 | 13.0 %         |

For the three months ended June 30, 2017, permanent recruitment revenue increased \$0.6 million, or 18.9%, as a result of growth in RPO, as compared to the same period in 2016. The increase was attributable to growth of existing RPO clients and new business implementations.

For the six months ended June 30, 2017, permanent recruitment revenue increased \$1.1 million, or 15.8%, as compared to the same period in 2016. The increase was attributable to the same factors as described above.

## Gross Margin

| \$ in millions  | Three Months Ended June 30, |                     |                        |                | Six Months Ended June 30, |                     |                        |                |
|---|-----------------------------|---------------------|------------------------|----------------|---------------------------|---------------------|------------------------|----------------|
|   | 2017<br>As reported         | 2016<br>As reported | Change<br>in<br>amount | Change<br>in % | 2017<br>As reported       | 2016<br>As reported | Change<br>in<br>amount | Change<br>in % |
| Hudson Americas Gross margin                                    | \$3.7                       | \$ 3.2              | \$ 0.6                 | 17.5 %         | \$7.6                     | \$ 6.5              | \$ 1.1                 | 16.1 %         |
| Gross margin as a percentage of revenue                         | 89.8 %                      | 86.9 %              | N/A                    | N/A            | 89.3 %                    | 87.0 %              | N/A                    | N/A            |
| Contracting gross margin as a percentage of contracting revenue | 2.8 %                       | 20.2 %              | N/A                    | N/A            | 10.2 %                    | 16.3 %              | N/A                    | N/A            |

For the three months ended June 30, 2017, permanent recruitment gross margin increased \$0.6 million, or 20.9%, as a result of growth in RPO, as compared to the same period in 2016.

For the six months ended June 30, 2017, permanent recruitment gross margin increased \$1.1 million, or 17.7%, as a result of growth in RPO, as compared to the same period in 2016.

For the three months ended June 30, 2017, total gross margin as a percentage of revenue was 89.8%, as compared to 86.9% for the same period in 2016. For the six months ended June 30, 2017, total gross margin as a percentage of revenue was 89.3%, as compared to 87.0% for the same period in 2016. The increase in total gross margin as a percentage of revenue was attributed to the higher mix or permanent recruitment in 2017 compared to 2016.

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## SG&amp;A and Non-Op

| \$ in millions                             | Three Months Ended June 30, |                        |                        |                | Six Months Ended June 30, |                        |                        |                |
|--|-----------------------------|------------------------|------------------------|----------------|---------------------------|------------------------|------------------------|----------------|
|  | 2017<br>As<br>reported      | 2016<br>As<br>reported | Change<br>in<br>amount | Change<br>in % | 2017<br>As<br>reported    | 2016<br>As<br>reported | Change<br>in<br>amount | Change<br>in % |
| Hudson Americas                            |                             |                        |                        |                |                           |                        |                        |                |
| SG&A and Non-Op                            | \$3.4                       | \$3.4                  | \$0.1                  | 2.3 %          | \$7.0                     | \$6.5                  | \$0.5                  | 7.2 %          |
| SG&A and Non-Op as a percentage of revenue | 82.4 %                      | 91.6 %                 | N/A                    | N/A            | 82.8 %                    | 87.3 %                 | N/A                    | N/A            |

For the three months ended June 30, 2017, SG&A and Non-Op increased \$0.1 million, or 2.3%, as compared to the same period in 2016 due to higher costs of service delivery teams attributable to the growth in RPO.

For the six months ended June 30, 2017, SG&A and Non-Op increased \$0.5 million, or 7.2%, as compared to the same period in 2016 due to the factors described above.

## Business Reorganization

For the three months ended June 30, 2017 and 2016, there was no business reorganization expense. For the six months ended June 30, 2017, business reorganization was a credit of \$0.1 million as compared to \$0.0 million for the same period in 2016.

## Operating Income and EBITDA

| \$ in millions                           | Three Months Ended June 30, |                        |                        |             | Six Months Ended June 30, |                        |                        |             |
|--|-----------------------------|------------------------|------------------------|-------------|---------------------------|------------------------|------------------------|-------------|
|  | 2017<br>As<br>reported      | 2016<br>As<br>reported | Change<br>in<br>amount | Change in % | 2017<br>As<br>reported    | 2016<br>As<br>reported | Change<br>in<br>amount | Change in % |
| Hudson Americas                          |                             |                        |                        |             |                           |                        |                        |             |
| Operating income (loss)                  | \$0.4                       | \$(0.1)                | \$0.5                  | (a)         | \$0.8                     | \$0.1                  | \$0.6                  | (a)         |
| EBITDA (loss)                            | \$0.3                       | \$(0.2)                | \$0.5                  | (a)         | \$0.6                     | \$—                    | \$0.7                  | (a)         |
| EBITDA (loss) as a percentage of revenue | 7.2 %                       | (4.9 %) %              | N/A                    | N/A         | 7.5 %                     | (0.2 %) %              | 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, 2017, EBITDA was \$0.3 million, or 7.2% of revenue, as compared to EBITDA loss of \$0.2 million, or 4.9% of revenue, for the same period in 2016. For the six months ended June 30, 2017, EBITDA was \$0.6 million, or 7.5% of revenue, as compared to EBITDA loss of \$0.0 million, or 0.2% of revenue, for the same period in 2016. The increase in EBITDA for the three and six months ended June 30, 2017, was principally due to the increase in gross margin partially offset by the increase in SG&A and Non-Op.

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## Hudson Asia Pacific (constant currency)

## Revenue

| \$ in millions      | Three Months Ended June 30, |                              |                        |                | Six Months Ended June 30, |                              |                        |                |
|---------------------|-----------------------------|------------------------------|------------------------|----------------|---------------------------|------------------------------|------------------------|----------------|
|                     | 2017<br>As<br>reported      | 2016<br>Constant<br>currency | Change<br>in<br>amount | Change<br>in % | 2017<br>As<br>reported    | 2016<br>Constant<br>currency | Change<br>in<br>amount | Change<br>in % |
| Hudson Asia Pacific |                             |                              |                        |                |                           |                              |                        |                |
| Revenue             | \$69.3                      | \$ 62.5                      | \$ 6.8                 | 10.8 %         | \$129.0                   | \$ 115.4                     | \$ 13.6                | 11.7 %         |

For the three months ended June 30, 2017, contracting and permanent recruitment revenue increased \$5.9 million and \$1.0 million, or 13.3% and 6.7%, respectively, as compared to the same period in 2016.

In Australia and New Zealand, revenue increased \$6.0 million, or 10.7%, for the three months ended June 30, 2017, as compared to the same period in 2016. The increase was primarily in contracting revenue, which increased \$5.8 million, or 13.1%, for the three months ended June 30, 2017, as compared to the same period in 2016. The increase in contracting revenue for the three months ended June 30, 2017 was in the Company's public sector practice partially offset by declines in the financial services and technical & engineering practices.

In Asia, revenue increased \$0.8 million, or 12.1%, for the three months ended June 30, 2017, as compared to the same period in 2016. The increase in Asia was primarily in Hong Kong and China.

For the six months ended June 30, 2017, contracting and permanent recruitment revenue increased \$12.5 million and \$1.1 million, or 15.3% and 4.2%, respectively, as compared to the same period in 2016.

In Australia and New Zealand, revenue increased \$12.7 million, or 12.4%, for the six months ended June 30, 2017, as compared to the same period in 2016. The increase was primarily in contracting revenue, which increased \$12.3 million, or 15.2%, for the six months ended June 30, 2017, as compared to the same period in 2016. The increases in contracting revenue for the six months ended June 30, 2017 were a result of the same factors noted above.

In Asia, revenue increased \$0.8 million, or 6.7%, for the six months ended June 30, 2017, as compared to the same period in 2016. The increase in Asia was primarily in Hong Kong and China.

## Gross Margin

| \$ in millions  | Three Months Ended June 30, |                              |                        |                | Six Months Ended June 30, |                              |                        |                |
|---|-----------------------------|------------------------------|------------------------|----------------|---------------------------|------------------------------|------------------------|----------------|
|   | 2017<br>As<br>reported      | 2016<br>Constant<br>currency | Change<br>in<br>amount | Change<br>in % | 2017<br>As<br>reported    | 2016<br>Constant<br>currency | Change<br>in<br>amount | Change<br>in % |
| Hudson Asia Pacific   |                             |                              |                        |                |                           |                              |                        |                |
| Gross margin  | \$23.4                      | \$22.4                       | \$ 1.0                 | 4.6 %          | \$43.2                    | \$41.5                       | \$ 1.6                 | 3.9 %          |
| Gross margin as a percentage of revenue                         | 33.8 %                      | 35.8 %                       | N/A                    | N/A            | 33.5 %                    | 36.0 %                       | N/A                    | N/A            |
| Contracting gross margin as a percentage of contracting revenue | 10.8 %                      | 11.9 %                       | N/A                    | N/A            | 11.1 %                    | 12.0 %                       | N/A                    | N/A            |

For the three months ended June 30, 2017, permanent recruitment and contracting gross margin increased \$0.9 million and \$0.1 million, or 6.4% and 2.8%, respectively, as compared to the same period in 2016.

In Australia and New Zealand, gross margin increased \$0.3 million, or 1.9%, for the three months ended June 30, 2017, as compared to the same period in 2016. The increase was primarily in contracting and permanent recruitment

which increased \$0.2 million and \$0.1 million, or 3.0% and 1.6%, respectively, for the three months ended June 30, 2017, as compared to the same period in 2016.

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In Asia, gross margin increased \$0.7 million, or 11.8%, for the three months ended June 30, 2017, as compared to the same period in 2016. The increase in Asia was primarily in Hong Kong and China.

For the six months ended June 30, 2017, permanent recruitment and contracting gross margin increased \$1.0 million and \$0.6 million, or 3.9% and 6.2%, respectively, as compared to the same period in 2016.

In Australia and New Zealand, gross margin increased \$0.9 million, or 3.2%, for the six months ended June 30, 2017, as compared to the same period in 2016. The increase was primarily in contracting and permanent recruitment increasing \$0.6 million and \$0.2 million or 6.3% and 1.5%, respectively, for the six months ended June 30, 2017, as compared to the same period in 2016.

In Asia, gross margin increased \$0.7 million, or 6.0%, for the six months ended June 30, 2017, as compared to the same period in 2016. The increase in Asia was primarily in Hong Kong and China.

Total gross margin as a percentage of revenue was 33.8% for the three months ended June 30, 2017, as compared to 35.8% for the same period in 2016. Total gross margin as a percentage of revenue was 33.5% for the six months ended June 30, 2017, as compared to 36.0% for the same period in 2016. The decrease in total gross margin as a percentage of revenue for the three and six months ended June 30, 2017 resulted from a decline in the contracting gross margin percentage as compared to the same periods in 2016.

## SG&amp;A and Non-Op

| \$ in millions                                | Three Months Ended June 30, |                              |                        |                   | Six Months Ended June 30, |                              |                        |                   |
|---|-----------------------------|------------------------------|------------------------|-------------------|---------------------------|------------------------------|------------------------|-------------------|
|   | 2017<br>As<br>reported      | 2016<br>Constant<br>currency | Change<br>in<br>amount | Change<br>in<br>% | 2017<br>As<br>reported    | 2016<br>Constant<br>currency | Change<br>in<br>amount | Change<br>in<br>% |
| Hudson Asia Pacific<br>SG&A and Non-Op        | \$22.1                      | \$21.6                       | \$ 0.5                 | 2.3 %             | \$42.5                    | \$41.7                       | \$ 0.8                 | 1.8 %             |
| SG&A and Non-Op as a percentage of<br>revenue | 31.9 %                      | 34.5 %                       | N/A                    | N/A               | 32.9 %                    | 36.1 %                       | N/A                    | N/A               |

For the three months ended June 30, 2017, SG&A and Non-Op increased \$0.5 million, or 2.3%, as compared to the same period in 2016. The increase was primarily due to higher overhead costs. For the six months ended June 30, 2017, SG&A and Non-Op increased \$0.8 million, or 1.8%, as compared to the same period in 2016. The increase was primarily due to the reason stated above.

For the three months ended June 30, 2017, SG&A and Non-Op, as a percentage of revenue, was 31.9%, as compared to 34.5% for the same period in 2016. For the six months ended June 30, 2017, SG&A and Non-Op, as a percentage of revenue, were 32.9%, as compared to 36.1% for the same period in 2016. The decrease in SG&A and Non-Op, as a percentage of revenue, was principally due to revenue growing at a faster rate than SG&A and Non-op.

## Business Reorganization

For the three months ended June 30, 2017, there was no business reorganization, as compared to \$0.1 million for the same period in 2016. For the six months ended June 30, 2017, there was no business reorganization, as compared to \$0.3 million for the same period in 2016. Business reorganization in 2016 was primarily due to severance costs.

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## Operating Income and EBITDA

| \$ in millions                           | Three Months Ended June 30, |                              |                        |                | Six Months Ended June 30, |                              |                        |                |
|--|-----------------------------|------------------------------|------------------------|----------------|---------------------------|------------------------------|------------------------|----------------|
|  | 2017<br>As<br>reported      | 2016<br>Constant<br>currency | Change<br>in<br>amount | Change in<br>% | 2017<br>As<br>reported    | 2016<br>Constant<br>currency | Change<br>in<br>amount | Change in<br>% |
| Hudson Asia Pacific                      |                             |                              |                        |                |                           |                              |                        |                |
| Operating income (loss)                  | \$1.4                       | \$0.7                        | \$0.7                  | (a)            | \$1.1                     | \$(0.2)                      | \$1.2                  | (a)            |
| EBITDA (loss)                            | \$1.3                       | \$0.7                        | \$0.6                  | (a)            | \$0.6                     | \$(0.6)                      | \$1.2                  | (a)            |
| EBITDA (loss) as a percentage of revenue | 1.9 %                       | 1.1 %                        | N/A                    | N/A            | 0.5 %                     | (0.5)%                       | 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, 2017, EBITDA was \$1.3 million, or 1.9% of revenue, as compared to EBITDA of \$0.7 million, or 1.1% of revenue, for the same period in 2016. For the six months ended June 30, 2017, EBITDA was \$0.6 million, or 0.5% of revenue, as compared to EBITDA loss of \$0.6 million, or 0.5% of revenue, for the same period in 2016. The increase in EBITDA for the three and six months ended June 30, 2017 was principally due to the increase in gross margin and decline in business reorganization partially offset by an increase in SG&A and Non-Op. For the three months ended June 30, 2017, operating income was \$1.4 million, as compared to operating income of \$0.7 million for the same period in 2016. For the six months ended June 30, 2017, operating income was \$1.1 million, as compared to operating loss of \$0.2 million for the same period in 2016. The difference between operating income (loss) and EBITDA (loss) for the three and six months ended June 30, 2017 and 2016 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, |                              |                        |                   |
|--------------------------|-----------------------------|------------------------------|------------------------|-------------------|---------------------------|------------------------------|------------------------|-------------------|
|                          | 2017<br>As<br>reported      | 2016<br>Constant<br>currency | Change<br>in<br>amount | Change<br>in<br>% | 2017<br>As<br>reported    | 2016<br>Constant<br>currency | Change<br>in<br>amount | Change<br>in<br>% |
| Hudson Europe<br>Revenue | \$40.2                      | \$ 43.5                      | \$ (3.3 )              | (7.6)%            | \$79.5                    | \$ 84.8                      | \$ (5.3 )              | (6.2)%            |

For the three months ended June 30, 2017, contracting revenue decreased \$5.1 million, or 20.5%, as compared to the same period in 2016. The decline was partially offset by an increase in permanent recruitment revenue of \$1.9 million, or 17.5%, as compared to the same period in 2016.

For the six months ended June 30, 2017, contracting revenue decreased \$9.0 million, or 17.6%, as compared to the same period in 2016. The decline was partially offset by an increase in permanent recruitment revenue of \$3.5 million, or 16.9%, as compared to the same period in 2016.

In the U.K., for the three months ended June 30, 2017, revenue decreased by \$4.6 million, or 16.0%, to \$24.3 million, from \$28.9 million for the same period in 2016. For the three months ended June 30, 2017, the decrease in the U.K. was driven by a decline in contracting revenue of \$5.3 million, or 22.2%, as compared to the same period in 2016, partially offset by an increase in permanent recruitment revenue of \$0.5 million, or 10.7%, as compared to the same period in 2016. The decline in contracting revenue is primarily a result of reduced demand from large financial services clients.

In the U.K., for the six months ended June 30, 2017, revenue decreased by \$9.1 million, or 15.5%, to \$49.5 million, from \$58.6 million for the same period in 2016. For the six months ended June 30, 2017, the decrease in the U.K. was driven by a decline in contracting revenue of \$9.7 million, or 19.9%, as compared to the same period in 2016, partially offset by an increase in permanent recruitment revenue of \$0.6 million, or 6.3%, as compared to the same period in 2016. The decline in contracting revenue is due to the same factors noted above.

In Continental Europe, total revenue was \$15.9 million for the three months ended June 30, 2017, as compared to \$14.5 million for the same period in 2016, an increase of \$1.3 million, or 8.9%.

In Continental Europe, for the six months ended June 30, 2017, total revenue was \$30.1 million, as compared to \$26.2 million for the same period in 2016, an increase of \$3.8 million, or 14.5%.

## Gross Margin

| \$ in millions  | Three Months Ended June 30, |                              |                        |                   | Six Months Ended June 30, |                              |                        |                   |
|---|-----------------------------|------------------------------|------------------------|-------------------|---------------------------|------------------------------|------------------------|-------------------|
|   | 2017<br>As<br>reported      | 2016<br>Constant<br>currency | Change<br>in<br>amount | Change<br>in<br>% | 2017<br>As<br>reported    | 2016<br>Constant<br>currency | Change<br>in<br>amount | Change<br>in<br>% |
| Hudson Europe<br>Gross margin                                   | \$21.2                      | \$20.0                       | \$ 1.2                 | 5.9 %             | \$40.0                    | \$37.6                       | \$ 2.5                 | 6.6 %             |
| Gross margin as a percentage of revenue                         | 52.7 %                      | 45.9 %                       | N/A                    | N/A               | 50.3 %                    | 44.3 %                       | N/A                    | N/A               |
| Contracting gross margin as a percentage of contracting revenue | 13.9 %                      | 13.7 %                       | N/A                    | N/A               | 13.6 %                    | 13.9 %                       | N/A                    | N/A               |

For the three months ended June 30, 2017, permanent recruitment gross margin increased \$1.8 million, or 17.1%, as compared to the same period in 2016. The increase was partially offset by a decline in contracting gross margin of

\$0.7 million, or 19.2%, as compared to the same period in 2016.

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For the six months ended June 30, 2017, permanent recruitment gross margin increased \$3.5 million, or 17.2%, partially offset by a decline in contracting gross margin of \$1.4 million, or 19.7%, as compared to the same period in 2016.

In the U.K., total gross margin for the three months ended June 30, 2017 decreased \$0.2 million, or 2.2%, as compared to the same period in 2016. The decrease in the U.K. was driven by a decline in contracting gross margin of \$0.7 million, or 23.0%, as compared to the same period in 2016, partially offset by an increase in permanent recruitment gross margin of \$0.4 million, or 10.0%, as compared to the same period in 2016.

In the U.K., total gross margin for the six months ended June 30, 2017 decreased \$1.1 million, or 6.7%, as compared to the same period in 2016. The decrease in the U.K. was driven by a decline in contracting gross margin of \$1.6 million, or 24.4%, as compared to the same period in 2016, partially offset by an increase in permanent recruitment gross margin of \$0.5 million, or 6.1%, as compared to the same period in 2016.

In Continental Europe, for the three months ended June 30, 2017, total gross margin increased \$1.3 million, or 11.1%, as compared to the same period in 2016.

In Continental Europe, for the six months ended June 30, 2017, total gross margin increased \$3.5 million, or 16.1%, as compared to the same period in 2016.

For the three months ended June 30, 2017, gross margin, as a percentage of revenue, was 52.7%, as compared to 45.9% for 2016. For the six months ended June 30, 2017, gross margin, as a percentage of revenue, was 50.3%, as compared to 44.3% for 2016. 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 contracting revenues. The contracting gross margin, as a percentage of revenue, for the three months ended June 30, 2017, was 13.9%, as compared to 13.7%, for the same period in 2016. For the six months ended June 30, 2017, the contracting gross margin, as a percentage of revenue, was 13.6%, as compared to 13.9% for the same period in 2016.

## SG&amp;A and Non-Op

| \$ in millions                             | Three Months Ended June 30, |                              |                        |                   | Six Months Ended June 30, |                              |                        |                   |
|--|-----------------------------|------------------------------|------------------------|-------------------|---------------------------|------------------------------|------------------------|-------------------|
|  | 2017<br>As<br>reported      | 2016<br>Constant<br>currency | Change<br>in<br>amount | Change<br>in<br>% | 2017<br>As<br>reported    | 2016<br>Constant<br>currency | Change<br>in<br>amount | Change<br>in<br>% |
| Hudson Europe                              |                             |                              |                        |                   |                           |                              |                        |                   |
| SG&A and Non-Op                            | \$18.7                      | \$18.4                       | \$ 0.3                 | 1.4 %             | \$36.4                    | \$35.9                       | \$ 0.6                 | 1.6 %             |
| SG&A and Non-Op as a percentage of revenue | 46.5 %                      | 42.4 %                       | N/A                    | N/A               | 45.8 %                    | 42.3 %                       | N/A                    | N/A               |

For the three months ended June 30, 2017, SG&A and Non-Op increased \$0.3 million, or 1.4%, as compared to the same period in 2016. The increase in SG&A and Non-Op were a result of higher staff costs in Continental Europe partially offset by lower staff costs in the U.K.

For the six months ended June 30, 2017, SG&A and Non-Op increased \$0.6 million, or 1.6%, as compared to the same period in 2016 primarily for the same factors noted above.

For the three months ended June 30, 2017, SG&A and Non-Op, as a percentage of revenue, was 46.5%, as compared to 42.4% for the same period in 2016. For the six months ended June 30, 2017, SG&A and Non-Op, as a percentage of revenue, was 45.8%, as compared to 42.3% for the same period in 2016. The increase in SG&A and Non-Op, as a percentage of revenue, for the three and six months ended June 30, 2017 were primarily due to the factors noted

above.

#### Business Reorganization

For the three months ended June 30, 2017, business reorganization was a credit of \$0.1 million, as compared to expense of \$0.1 million for the same period in 2016. For the six months ended June 30, 2017, business reorganization was \$0.3 million as compared to \$0.5 million for the same period in 2016. The business reorganization for the three and six months ended June 30, 2017 was primarily due to changes in lease exit cost estimates in the U.K.

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## Operating Income and EBITDA

| \$ in millions                           | Three Months Ended June 30, |                              |                        |                | Six Months Ended June 30, |                              |                        |             |
|--|-----------------------------|------------------------------|------------------------|----------------|---------------------------|------------------------------|------------------------|-------------|
|  | 2017<br>As<br>reported      | 2016<br>Constant<br>currency | Change<br>in<br>amount | Change<br>in % | 2017<br>As<br>reported    | 2016<br>Constant<br>currency | Change<br>in<br>amount | Change in % |
| Hudson Europe                            |                             |                              |                        |                |                           |                              |                        |             |
| Operating income (loss)                  | \$2.9                       | \$ 1.9                       | \$ 1.0                 | 54.3 %         | \$3.9                     | \$ 1.8                       | \$ 2.1                 | (a)         |
| EBITDA (loss)                            | \$2.6                       | \$ 1.5                       | \$ 1.1                 | 69.9 %         | \$3.4                     | \$ 1.3                       | \$ 2.2                 | (a)         |
| EBITDA (loss) as a percentage of revenue | 6.5 %                       | 3.5 %                        | N/A                    | N/A            | 4.3 %                     | 1.5 %                        | N/A                    | N/A         |

For the three months ended June 30, 2017, EBITDA was \$2.6 million, or 6.5% of revenue, as compared to EBITDA of \$1.5 million, or 3.5% of revenue, for the same period in 2016. The increase in EBITDA for the three months ended June 30, 2017, as compared to the same period in 2016, was principally due to an increase in gross margin partially offset by higher SG&A and Non-Op.

For the six months ended June 30, 2017, EBITDA was \$3.4 million, or 4.3% of revenue, as compared to EBITDA of \$1.3 million, or 1.5% of revenue, for the same period in 2016. The increase in EBITDA for the six months ended June 30, 2017, as compared to the same period in 2016, was principally due to the factors stated above.

For the three months ended June 30, 2017, operating income was \$2.9 million, as compared to operating income of \$1.9 million for the same period in 2016. For the six months ended June 30, 2017 and 2016, operating income was \$3.9 million and \$1.8 million, respectively. The differences between operating income and EBITDA for the three and six months ended June 30, 2017 and 2016 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 \$1.3 million for the three months ended June 30, 2017, as compared to \$3.6 million for the same period in 2016, a decrease of \$2.3 million. The decrease for the three months ended June 30, 2017, was principally due to legal settlement costs associated with an arbitration claim to the condensed consolidated financial statements during 2016 (see Note 13).

For the six months ended June 30, 2017, corporate expenses were \$2.2 million as compared to \$5.4 million for the same period in 2016, a decrease of \$3.2 million. The decrease for the six months ended June 30, 2017 was principally due to the factor noted above.

### Depreciation and Amortization Expense

Depreciation and amortization expense was \$0.7 million for the three months ended June 30, 2017, as compared to \$0.8 million for the same period in 2016, a decrease of \$0.1 million, or 14.7%. For the six months ended June 30, 2017, depreciation and amortization expense was \$1.4 million, as compared to \$1.5 million for the same period in 2016, a decrease of \$0.1 million, or 9.4%. The decrease was due to the lower level of capital expenditures incurred by the company in recent years.

### Interest Expense, Net of Interest Income

Interest expense remained flat at \$0.1 million for the three months ended June 30, 2017 and 2016. Interest expense remained flat at \$0.2 million for the six months ended June 30, 2017 and 2016.

### Provision for (Benefit from) Income Taxes

The provision for income taxes for the six months ended June 30, 2017 was \$1.0 million on \$1.0 million of pre-tax income from continuing operations, as compared to a provision for income tax of \$0.5 million on \$6.4 million of pre-tax loss from continuing operations for the same period in 2016. The effective tax rate for the six months ended June 30, 2017 was positive 107.3%, as compared to negative 7.5% for the same period in 2016. For the six months ended June 30, 2017 and 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.

### Net Income (Loss)

Net income was \$1.2 million for the three months ended June 30, 2017, as compared to net loss of \$3.1 million for the same period in 2016, an increase in net income of \$4.4 million. Basic and diluted income per share were \$0.04 for the three months ended June 30, 2017, as compared to basic and diluted loss per share of \$0.09 for the same period in 2016.

Net loss was \$0.1 million for the six months ended June 30, 2017, as compared to net loss of \$6.6 million for the same period in 2016, a decrease in net loss of \$6.5 million. Basic and diluted loss per share were \$0.00 for the six months ended June 30, 2017, as compared to basic and diluted loss per share of \$0.20 for the same period in 2016.





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## Liquidity and Capital Resources

As of June 30, 2017, cash and cash equivalents totaled \$14.9 million, as compared to \$21.3 million as of December 31, 2016. The following table summarizes the Company's cash flow activities for the six months ended June 30, 2017 and 2016:

| \$ in millions  | For the Six<br>Months Ended<br>June 30, |          |
|---|---|----------|
|   | 2017                                    | 2016     |
| Net cash provided by (used in) operating activities   | \$(4.5)                                 | \$(10.1) |
| Net cash provided by (used in) investing activities   | (0.4 )                                  | (1.2 )   |
| Net cash provided by (used in) financing activities   | (2.2 )                                  | (1.0 )   |
| Effect of exchange rates on cash and cash equivalents | 0.7                                     | (0.5 )   |
| Net increase (decrease) in cash and cash equivalents  | \$(6.5)                                 | \$(12.7) |

## Cash Flows from Operating Activities

For the six months ended June 30, 2017, net cash used in operating activities was \$4.5 million, as compared to \$10.1 million net cash used in operating activities for the same period in 2016, a decrease in net cash used in operating activities of \$5.6 million. The decline in net cash used in operating activities resulted principally from a decrease in net loss partially offset by an increase in working capital. For the six months ended June 30, 2017, net cash used in operating activities from discontinued operations was \$0.3 million, as compared to \$0.5 million for the same period in 2016.

## Cash Flows from Investing Activities

For the six months ended June 30, 2017, net cash used in investing activities was \$0.4 million, as compared to \$1.2 million of net cash used in investing activities for the same period in 2016. The decrease in net cash used in investing activities was due to a decrease in capital expenditures.

## Cash Flows from Financing Activities

For the six months ended June 30, 2017, net cash used in financing activities was \$2.2 million, as compared to net cash used in financing activities of \$1.0 million for the same period in 2016, an increase in net cash used in financing activities of \$1.2 million. The increase in net cash used in financing activities was primarily attributable to a decrease in net borrowings offset by a decrease in treasury stock purchases and dividend payments.

## 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"). Until September 15, 2016, the Lloyds Agreement provided the U.K. Borrower with the ability to borrow up to \$19.5 million (£15.0 million), at which time the U.K. Borrower entered into an amendment to the Lloyds Agreement that reduced the borrowing limit to \$15.6 million (£12.0 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 was 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 contracting and permanent recruitment activities in the U.K. operations ("Lloyds Tranche A"). The borrowing limit of Lloyds Tranche A is \$15.0 million (£11.5 million) and is based on 83% of eligible billed 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 \$0.7 million (£0.5 million) and is based on 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)

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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 \$2.6 million (£2.0 million).

The details of the Lloyds Agreement as of June 30, 2017 were as follows:

| \$ in millions                          | June 30,<br>2017 |
|---|------------------|
| Borrowing capacity                      | \$ 9.6           |
| Less: outstanding borrowing             | (0.8 )           |
| Additional borrowing availability       | \$ 8.8           |
| Interest rates on outstanding borrowing | 2.00 %           |

The Company was in compliance with all financial covenants under the Lloyds Agreement as of June 30, 2017.

#### 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 \$2.3 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 \$19.2 million (AUD 25.0 million) for Hudson Australia, which is based on an agreed percentage of eligible accounts receivable, and of which up to \$3.1 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 \$3.7 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, 2017 were as follows:

| \$ in millions                                     | June 30,<br>2017 |
|--|------------------|
| Finance Agreement:                                 |                  |
| Financial guarantee capacity                       | \$2.3            |
| Less: outstanding financial guarantees             | (2.0 )           |
| Additional availability for financial guarantees   | \$0.3            |
| Interest rates on outstanding financial guarantees | 1.50 %           |
| Australian Receivables Agreement:                  |                  |
| Borrowing capacity                                 | \$16.4           |
| Less: outstanding borrowing                        | (5.8 )           |
| Additional borrowing availability                  | \$10.6           |
| Interest rates on outstanding borrowing            | 3.17 %           |
| New Zealand Receivables Agreement:                 |                  |
| Borrowing capacity                                 | \$2.3            |
| Less: outstanding borrowing                        | —                |
| Additional borrowing availability                  | \$2.3            |
| Interest rates on outstanding borrowing            | 4.00 %           |

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, 2017.

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, 2017. The lending arrangement in Belgium has no expiration date and can be terminated with a 15-day notice period. There were no outstanding borrowings under the Belgium lending agreement as of June 30, 2017. 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, 2017. The Singapore overdraft facility expires annually each August, but can be renewed for one-year periods at that time. As of June 30, 2017, the Singapore overdraft facility had outstanding borrowings of \$114 thousand (SGD 156 thousand) and additional borrowings availability of \$32 thousand (SGD 44 thousand).

The average aggregate monthly outstanding borrowings for the credit agreements above was \$11.3 million for the six months ended June 30, 2017. The weighted average interest rate on all outstanding borrowings for the six months ended June 30, 2017 was 3.07%.

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, 2017, the Company had cash and cash equivalents on hand of \$14.9 million, supplemented by additional borrowing availability of \$22.7 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, 2017. The Company's near-term cash requirements during 2017 are primarily related to funding operations, restructuring actions, investing in capital expenditures and repurchasing shares. For the full year 2017, the Company expects to make capital expenditures of approximately \$1.5 million to \$2.5 million and payments in connection with previous years restructuring actions of \$2.0 million to \$2.5 million.

As of June 30, 2017, \$3.8 million of the Company's cash and cash equivalents noted above were held in the U.S. and the remainder were held outside the U.S., primarily in Belgium (\$2.5 million), Spain (\$2.2 million), the U.K. (\$1.9 million), France (\$1.2 million) and Mainland China (\$1.1 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 U.S. 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. 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, 2017 and December 31, 2016, 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, 2016 filed with the SEC on March 3, 2017 and incorporated by reference herein. There were no changes to the Company's critical accounting policies during the three months ended June 30, 2017.

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 related to international operations, including foreign currency fluctuations, (9) the Company's dependence on key management personnel, (10) the Company's ability to attract and retain highly-skilled professionals, (11) the Company's ability to collect its accounts receivable, (12) the Company's ability to achieve anticipated cost savings through the Company's cost reduction initiatives, (13) the Company's heavy reliance on information systems and the impact of potentially losing or failing to develop technology, (14) risks related to providing uninterrupted service to clients, (15) the Company's exposure to employment-related claims from clients, employers and regulatory authorities and limits on related insurance coverage, (16) the Company's ability to utilize net operating loss carry-forwards, (17) volatility of the Company's stock price, and (18) 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, 2017, the Company earned approximately 92% 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).

The Brexit referendum resulted in a decline in the value of the British pound, as compared to the U.S. dollar. The Company's U.K. operations, future financial performance and translation of results may be affected, in part, by the outcome of tariff, trade, regulatory, and other negotiations as the U.K. negotiates its exit from the European Union. 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, 2017.

**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, 2017 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, 2017, 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, 2016.

## 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, 2017.

| Period                       | Total Number of Shares Purchased | 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, 2017 - May 30, 2017 | 67,054                           | \$ 1.30                      | 67,054   | \$ 3,070,132   |
| May 1, 2017 - May 31, 2017   | 39,505                           | 1.46                         | 39,505   | 3,012,474  |
| June 1, 2017 - June 30, 2017 | 34,280                           | 1.39                         | 34,280   | 2,964,703  |
| Total                        | 140,839                          | \$ 1.37                      | 140,839  | \$ 2,964,703   |

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 16 for further details. As of (a) June 30, 2017, the Company had repurchased 3,406,991 shares for a total cost of approximately \$7.0 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.

## 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: August 3, 2017

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

Dated: August 3, 2017

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HUDSON GLOBAL, INC.  
FORM 10-Q  
EXHIBIT INDEX

| Exhibit No. | Description  |
|-------------|--|
| 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, 2017 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, 2017 and 2016, (ii) the Condensed Consolidated Statement of Other Comprehensive Income (Loss) for the three and six months ended June 30, 2017 and 2016, (iii) the Condensed Consolidated Balance Sheets as of June 30, 2017 and December 31, 2016, (iv) the Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2017 and 2016, (v) the Condensed Consolidated Statement of Stockholders' Equity for the six months ended June 30, 2017, and (vi) Notes to Condensed Consolidated Financial Statements. |