Hudson Global, Inc.
Form 10-K
February 26, 2015

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

FORM 10-K

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

For the fiscal year ended December 31, 2014

or

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

Commission file number: 000-50129

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

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

560 Lexington Avenue, New York, New York 10022
(Address of principal executive offices) (Zip Code)
(212) 351-7300
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, $0.001 par value	The NASDAQ Stock Market LLC
Preferred Share Purchase Rights	The NASDAQ Stock Market LLC

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15 (d) of the Securities Act. Yes o No x

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

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

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

The aggregate market value of the voting common stock held by non-affiliates of the registrant was approximately $120,702,000 based on the closing price of the Common Stock on the NASDAQ Global Select Market on June 30, 2014.

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 January 31, 2015
Common Stock - $0.001 par value	33,541,799

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement for the 2015 Annual Meeting of Stockholders are incorporated by reference into Part III.

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PART I

ITEM 1. BUSINESS

Hudson Global, Inc. (the “Company” or “Hudson”, “we”, “us” and “our”) provides highly specialized professional-level recruitment and related talent solutions worldwide. Core service offerings include Permanent Recruitment, Temporary Contracting, Recruitment Process Outsourcing (“RPO”) and Talent Management solutions. Hudson has approximately 1,800 employees and operates in 18 countries with three reportable geographic business segments: Hudson Americas, Hudson Asia Pacific, and Hudson Europe.

For the year ended December 31, 2014, the amounts and percentage of the Company’s total gross margin from the three reportable segments were as follows:

	Gross Margin Amount	Percentage	
Hudson Americas	$20,757	9	%
Hudson Asia Pacific	93,014	42	%
Hudson Europe	109,074	49	%
Total	$222,845	100	%

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

Permanent Recruitment: Offered on both a retained and contingent basis, Hudson's Permanent Recruitment services leverage the Company's 1,200 consultants, supported by the Company's specialists in the delivery of its proprietary methods to identify, select and engage the best-fit talent for critical client roles.

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

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

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

On November 7, 2014, the Company completed the sale of substantially all of the assets and liabilities of its Legal eDiscovery business in the United States and United Kingdom. The Company no longer has operations in the Legal eDiscovery business. In addition, the Company ceased operations in Sweden, which was included within the Hudson Europe segment during the third quarter of 2014. The Company concluded that the divestiture of its Legal eDiscovery business and the cessation of operations in Sweden meet the criteria for discontinued operations set forth in the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") No. 205, "Presentation of Financial Statements." The Company reclassified its discontinued operations for all periods presented and has excluded the results from continuing operations and from segment results for all periods presented.

CLIENTS

The Company's clients include small to large-sized corporations and government agencies. For the year ended December 31, 2014, there were approximately 300 Hudson Americas clients (as compared to approximately 390 in 2013), 2,300 Hudson Asia Pacific clients (as compared to 2,100 in 2013) and 3,570 Hudson Europe clients (as compared to 3,060 in 2013). During 2014, the Company exited the Legal eDiscovery business in the U.S. and U.K. markets as well as its operations in Sweden, which consisted of approximately 155 clients, 20 clients, and 70 clients, respectively. During 2014, no single client, accounted for more than 10% of the Company's total revenue. As of December 31, 2014, no single client accounted for more than 10% of the Company's total outstanding accounts receivable.

EMPLOYEES

The Company employs approximately 1,800 people worldwide. In most jurisdictions, the Company's employees are not represented by a labor union or covered by a collective bargaining agreement. The Company regards its relationships with its employees as satisfactory.

SALES AND MARKETING

The majority of Hudson's employees include approximately 1,200 client-facing consultants, who sell its portfolio of services to its existing client base of approximately 6,100 companies and to prospective client organizations. The Company's consultant population has deep expertise in specific functional areas and industry sectors, and provides broad-based recruitment and solution services based on the needs of the client. The Company serves several large multinational companies in its client base and its consultants are partnering with colleagues around the world to sell its services across geographic boundaries.

COMPETITION

The markets for the Company's services and products are highly competitive. There are few barriers to entry, so new entrants occur frequently, resulting in considerable market fragmentation. Companies in this industry compete on a number of parameters including degree and quality of candidate and position knowledge, industry expertise, service quality, and efficiency in completing assignments. Typically, companies with greater strength in these parameters garner higher margins.

SEGMENT AND GEOGRAPHIC DATA

Financial information concerning the Company's reportable segments and geographic areas of operation is included in Note 17 of the Notes to Consolidated Financial Statements contained in Item 8 of this Form 10-K.

AVAILABLE INFORMATION

We maintain a Web site with the address www.hudson.com. We are not including the information contained on our Web site as part of, or incorporating it by reference into, this report. Through our Web site, we make available free of charge (other than an investor's own Internet access charges) our annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, and amendments to these reports in a timely manner after we provide them to the Securities and Exchange Commission.

ITEM 1A. RISK FACTORS

The following risk factors and other information included in this Annual Report on Form 10-K should be carefully considered. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties not presently known to us or that we currently deem immaterial also may impair our business operations. If any of the following risks occur, our business, financial condition, results of operations, and cash flows could be materially adversely affected.

Our operations will be affected by global economic fluctuations.

Clients' demand for our services may fluctuate widely with changes in economic conditions in the markets in which we operate. Those conditions include slower employment growth or reductions in employment, which directly impact our service offerings. We have limited flexibility to reduce expenses during economic downturns due to some overhead costs that are fixed in the short-term. Furthermore, we may face increased pricing pressures during these periods. For example, in prior economic downturns, many employers in our operating regions reduced their overall workforce to reflect the slowing demand for their products and services.

We may not be able to successfully execute our strategic initiatives or meet our long-term financial goals.
We have been engaged in strategic initiatives to refocus on our core business to maximize long-term stockholder value, to improve our cost structure and efficiency and to increase our selling efforts and developing new business. We cannot provide any assurance that we will be able to successfully execute these or other strategic initiatives or that we will be able to execute these initiatives on our expected timetable. We may not be successful in refocusing our core business and obtaining operational efficiencies or replacing revenues lost as a result of these strategic initiatives.

Our operating results fluctuate from quarter to quarter; no single quarter is predictive of future periods' results.

Our operating results fluctuate quarter to quarter primarily due to the vacation periods during the first quarter in the Asia Pacific region and the third quarter in the Americas and Europe regions. Demand for our services is typically lower during traditional national vacation periods when clients and candidates are on vacation.

Our revenue can vary because our clients can terminate their relationship with us at any time with limited or no penalty.

We focus on providing professional mid-level personnel on a temporary assignment-by-assignment basis, which clients can generally terminate at any time or reduce their level of use when compared to prior periods. Our professional recruitment business is also significantly affected by our clients' hiring needs and their views of their future prospects. These factors can also affect our RPO business. Clients may, on very short notice, terminate, reduce or postpone their recruiting assignments with us and, therefore, affect demand for our services. This could have a material adverse effect on our business, financial condition and results of operations.

Our markets are highly competitive.

The markets for our services are highly competitive. Our markets are characterized by pressures to provide high levels of service, incorporate new capabilities and technologies, accelerate job completion schedules and reduce prices. Furthermore, we face competition from a number of sources. These sources include other executive search firms and professional search, staffing and consulting firms. Several of our competitors have greater financial and marketing resources than we do. Due to competition, we may experience reduced margins on our services, loss of market share and our customers. If we are not able to compete effectively with current or future competitors as a result of these and other factors, our business, financial condition and results of operations could be materially adversely affected.

We have no significant proprietary technology that would preclude or inhibit competitors from entering the mid-level professional staffing markets. We cannot provide assurance that existing or future competitors will not develop or offer services that provide significant performance, price, creative or other advantages over our services. In addition, we believe that, with continuing development and increased availability of information technology, the industries in which we compete may attract new competitors. Specifically, the increased use of the Internet may attract technology-oriented companies to the professional staffing industry. We cannot provide assurance that we will be able to continue to compete effectively against existing or future competitors. Any of these events could have a material adverse effect on our business, financial condition and results of operations.

We have had periods of negative cash flows and operating losses that may recur in the future.

We have experienced negative cash flows and reported operating and net losses in the past. For example, we had operating and net losses for the years ended December 31, 2014, 2013 and 2012. We cannot provide any assurance that we will have positive cash flows or operating profitability in the future, particularly to the extent the global economy continues to recover slowly from the global economic downturn. If our revenue declines or if operating expenses exceed our expectations, we may not be profitable and may not generate positive operating cash flows.

Our credit facilities restrict our operating flexibility.

Our credit facilities contain various restrictions and covenants that restrict our operating flexibility including:

- borrowings limited to eligible receivables;
- lenders' ability to impose restrictions, such as payroll or other reserves;
- limitations on payments of dividends;
- restrictions on our ability to make additional borrowings, or to consolidate, merge or otherwise fundamentally change our ownership;
- limitations on capital expenditures, investments, dispositions of assets, guarantees of indebtedness, permitted acquisitions and repurchases of stock; and
- limitations on certain intercompany payments of expenses, interest and dividends.

These restrictions and covenants could have adverse consequences for investors, including the consequences of our need to use a portion of our cash flow from operations for debt service, rather than for our operations, restrictions on our ability to incur additional debt financing for future working capital or capital expenditures, a lesser ability for us to take advantage of significant business opportunities, such as acquisition opportunities, the potential need for us to undertake equity transactions which may dilute the ownership of existing investors, and our inability to react to market conditions by selling lesser-performing assets.

In addition, a default, amendment or waiver to our credit facilities to avoid a default may result in higher rates of interest and could impact our ability to obtain additional borrowings. Finally, debt incurred under our credit facilities bears interest at variable rates. Any increase in interest expense could reduce the funds available for operations.

Extensions of credit under our existing agreements are permitted based on a borrowing base, which is an agreed percentage of eligible accounts receivable, less required reserves, applicable letters of credit and outstanding borrowings. If the amount or quality of our accounts receivable deteriorates, then our ability to borrow under these credit facilities will be directly affected. Furthermore, our credit agreement with Westpac Banking Corporation does not have a stated maturity date and can be terminated by Westpac Banking Corporation upon 90 days' written notice. We cannot provide assurance that we will be able to borrow under these credit facilities if we need money to fund working capital or other needs.

If sources of liquidity are not available or if we cannot generate sufficient cash flows from operations, then we may be required to obtain additional sources of funds through additional operating improvements, capital markets transactions, asset sales or financing from third parties, or a combination thereof and, under certain conditions, such transactions could substantially dilute the ownership of existing stockholders. We cannot provide assurance that the additional sources of funds will be available, or if available, would have reasonable terms.

Our investment strategy subjects us to risks.

From time to time, we make investments as part of our growth plans. Investments may not perform as expected because they are dependent on a variety of factors, including our ability to effectively integrate new personnel and operations, our ability to sell new services, and our ability to retain existing or gain new clients. Furthermore, we may need to borrow more money from lenders or sell equity or debt securities to the public to finance future investments and the terms of these financings may be adverse to us.

We face risks related to our international operations.

We conduct operations in 18 countries and face both translation and transaction risks related to foreign currency exchange. For the year ended December 31, 2014, approximately 91% of our gross margin was earned outside of the United States ("U.S"). Our financial results could be materially affected by a number of factors particular to international operations. These include, but are not limited to, difficulties in staffing and managing international operations, operational issues such as longer customer payment cycles and greater difficulties in collecting accounts receivable, changes in tax laws or other regulatory requirements, issues relating to uncertainties of laws and enforcement relating to the regulation and protection of intellectual property, and currency fluctuation. If we are forced to discontinue any of our international operations, we could incur material costs to close down such operations.

Regarding the foreign currency risk inherent in international operations, the results of our local operations are reported in the applicable foreign currencies and then translated into U.S. dollars at the applicable foreign currency exchange rates for inclusion in our financial statements. In addition, we generally pay operating expenses in the corresponding local currency. Because of devaluations and fluctuations in currency exchange rates or the imposition of limitations on conversion of foreign currencies into U.S. dollars, we are subject to currency translation exposure on the revenue and income of our operations in addition to economic exposure. Our consolidated U.S. dollar cash balance could be lower because a significant amount of cash is generated outside of the U.S. This risk could have a material adverse effect on our business, financial condition and results of operations.

We depend on our key management personnel.

Our success depends to a significant extent on our senior management team. The loss of the services of one or more key senior management team member could have a material adverse effect on our business, financial condition and results of operations. In addition, if one or more key employees join a competitor or form a competing company, the resulting loss of existing or potential clients could have a material adverse effect on our business, financial condition and results of operations.

Failure to attract and retain qualified personnel could negatively impact our business, financial condition and results of operations.

Our success also depends upon our ability to attract and retain highly-skilled professionals who possess the skills and experience necessary to meet the staffing requirements of our clients. We must continually evaluate and upgrade our base of available qualified personnel to keep pace with changing client needs and emerging technologies. Furthermore, a substantial number of our contractors during any given year may terminate their employment with us and accept regular staff employment with our clients. Competition for qualified professionals with proven skills is intense, and demand for these individuals is expected to remain strong for the foreseeable future. There can be no assurance that qualified personnel will continue to be available to us in sufficient numbers. If we are unable to attract the necessary qualified personnel for our clients, it may have a negative impact on our business, financial condition and results of operations.

We face risks in collecting our accounts receivable.

In virtually all of our businesses, we invoice customers after providing services, which creates accounts receivable. Delays or defaults in payments owed to us could have a significant adverse impact on our business, financial condition and results of operations. Factors that could cause a delay or default include, but are not limited to, global economic conditions, business failures, and turmoil in the financial and credit markets.

In certain situations, we provide our services to clients under a contractual relationship with a third-party vendor manager, rather than directly to the client. In those circumstances, the third-party vendor manager is typically responsible for aggregating billing information, collecting receivables from the client and paying staffing suppliers once funds are received from the client. In the event that the client has paid the vendor manager for our services and we are unable to collect from the vendor manager, we may be exposed to financial losses.

If we are unable to maintain costs at an acceptable level, our operations could be adversely impacted.

Our ability to reduce costs in line with our revenues is important for the improvement of our profitability. Efforts to improve our efficiency could be affected by several factors including turnover, client demands, market conditions, changes in laws, and availability of talent. If we fail to realize the expected benefits of these cost reduction initiatives, this could have an adverse effect on our financial condition and results of operations.

We rely on our information systems, and if we lose our information processing capabilities or fail to further develop our technology, our business could be adversely affected.

Our success depends in large part upon our ability to store, retrieve, process, and manage substantial amounts of information, including our client and candidate databases. To achieve our strategic objectives and to remain competitive, we must continue to develop and enhance our information systems. This may require the acquisition of equipment and software and the development, either internally or through independent consultants, of new proprietary software. If we are unable to design, develop, implement and utilize, in a cost-effective manner, information systems that provide the capabilities necessary for us to compete effectively, or if we experience any interruption or loss of our information processing capabilities, for any reason, this could adversely affect our business, financial condition and results of operations.

As we operate in an international environment, we are subject to greater cyber-security risks and incidents. We also use mobile devices, social networking and other online activities to connect with our candidates, clients and business partners. While we have implemented measures to prevent security breaches and cyber incidents, our measures may not be effective and any security breaches or cyber incidents could adversely affect our business, financial condition and results of operations.

Our business depends on uninterrupted service to clients.

Our operations depend on our ability to protect our facilities, computer and telecommunication equipment and software systems against damage or interruption from fire, power loss, cyber attacks, sabotage, telecommunications interruption, weather conditions, natural disasters and other similar events. Additionally, severe weather can cause our employees or contractors to miss work and interrupt delivery of our service, potentially resulting in a loss of revenue. While interruptions of these types that have occurred in the past have not caused material disruption, it is not possible to predict the type, severity or frequency of interruptions in the future or their impact on our business.

We may be exposed to employment-related claims, legal liability and costs from clients, employers and regulatory authorities that could adversely affect our business, financial condition or results of operations, and our insurance coverage may not cover all of our potential liability.

We are in the business of employing people and placing them in the workplaces of other businesses. Risks relating to these activities include:

- claims of misconduct or negligence on the part of our employees;
- claims by our employees of discrimination or harassment directed at them, including claims relating to actions of our clients;
- claims related to the employment of illegal aliens or unlicensed personnel;
- claims for payment of workers' compensation and other similar claims;
- claims for violations of wage and hour requirements;
- claims for entitlement to employee benefits;
- claims of errors and omissions of our temporary employees;
-

claims by taxing authorities related to our independent contractors and the risk that such contractors could be considered employees for tax purposes;

- claims by candidates that we place for wrongful termination or denial of employment;

- claims related to our non-compliance with data protection laws, which require the consent of a candidate to transfer resumes and other data; and

- claims by our clients relating to our employees' misuse of client proprietary information, misappropriation of funds, other misconduct, criminal activity or similar claims.

We are exposed to potential claims with respect to the recruitment process. A client could assert a claim for matters such as breach of a blocking arrangement or recommending a candidate who subsequently proves to be unsuitable for the position filled. Similarly, a client could assert a claim for deceptive trade practices on the grounds that we failed to disclose certain referral information about the candidate or misrepresented material information about the candidate. Further, the current employer of a candidate whom we place could file a claim against us alleging interference with an employment contract. In addition, a candidate could assert an action against us for failure to maintain the confidentiality of the candidate's employment search or for alleged discrimination or other violations of employment law by one of our clients.

We may incur fines and other losses or negative publicity with respect to these problems. In addition, some or all of these claims may give rise to litigation, which could be time-consuming to our management team, costly and could have a negative effect on our business. In some cases, we have agreed to indemnify our clients against some or all of these types of liabilities. We cannot assure that we will not experience these problems in the future, that our insurance will cover all claims, or that our insurance coverage will continue to be available at economically-feasible rates.

It is possible that we may still incur liabilities associated with certain pre-spin off activities with Monster Worldwide, Inc. ("Monster"). Under the terms of our Distribution Agreement with Monster, these liabilities generally will continue to be retained by us. If these liabilities are significant, the retained liabilities could have a material adverse effect on our business, financial condition and results of operations. However, in some circumstances, we may have claims against Monster, and we will make a determination on a case by case basis.

Our ability to utilize net operating loss carry-forwards may be limited.

The Company has U.S. net operating loss carry-forwards (“NOLs”) that expire through 2034. Section 382 of the U.S. Internal Revenue Code imposes an annual limitation on a corporation's ability to utilize NOLs if it experiences an “ownership change.” In general terms, an ownership change may result from transactions increasing the ownership of certain stockholders in the stock of a corporation by greater than 50% over a three-year period. The Company has experienced ownership changes in the past. Ownership changes in our stock, some of which are outside of our control, could result in a limitation in our ability to use our NOLs to offset future taxable income, could cause U.S. Federal income taxes to be paid earlier than otherwise would be paid if such limitation were not in effect and could cause such NOLs to expire unused, reducing or eliminating the benefit of such NOLs.

There may be volatility in our stock price.

The market price for our common stock has fluctuated in the past and could fluctuate substantially in the future. For example, during 2014, the market price of our common stock reported on the NASDAQ Global Select Market ranged from a high of $4.33 to a low of $2.69. Factors such as general macroeconomic conditions adverse to workforce expansion, the announcement of variations in our quarterly financial results or changes in our expected financial results could cause the market price of our common stock to fluctuate significantly. Further, due to the volatility of the stock market generally, the price of our common stock could fluctuate for reasons unrelated to our operating performance.

Our future earnings could be reduced as a result of the imposition of licensing or tax requirements or new regulations that prohibit, or restrict certain types of employment services we offer.

In many jurisdictions in which we operate, the provision of temporary staffing is heavily regulated. For example, governmental regulations can restrict the length of contracts of contract employees and the industries in which they may be used. In some countries, special taxes, fees or costs are imposed in connection with the use of contract workers.

The countries in which we operate may:

- create additional regulations that prohibit or restrict the types of employment services that we currently provide;
- impose new or additional benefit requirements;
- require us to obtain additional licensing to provide staffing services;
- impose new or additional visa restrictions on movements between countries;
- increase taxes, such as sales or value-added taxes, payable by the providers of staffing services;

- increase the number of various tax and compliance audits relating to a variety of regulations, including wage and hour laws, unemployment taxes, workers' compensation, immigration, and income, value-added and sales taxes; or

- revise transfer pricing laws or successfully challenge our transfer prices, which may result in higher foreign taxes or tax liabilities or double taxation of our foreign operations.

Any future regulations that make it more difficult or expensive for us to continue to provide our staffing services may have a material adverse effect on our business, financial condition and results of operations.

Provisions in our organizational documents and Delaware law will make it more difficult for someone to acquire control of us.

Our certificate of incorporation and by-laws and the Delaware General Corporation Law contain several provisions that make it more difficult to acquire control of us in a transaction not approved by our Board of Directors, including transactions in which stockholders might otherwise receive a premium for their shares over then current prices, and that may limit the ability of stockholders to approve transactions that they may deem to be in their best interests. Although our Board of Directors has proposed that our stockholders vote at our 2015 annual meeting of stockholders to eliminate some of these provisions, our certificate of incorporation and by-laws currently include provisions:

- dividing our Board of Directors into three classes to be elected on a staggered basis, one class each year;

- authorizing our Board of Directors to issue shares of our preferred stock in one or more series without further authorization of our stockholders;

- requiring that stockholders provide advance notice of any stockholder nomination of directors or any of new business to be considered at any meeting of stockholders;

- permitting removal of directors only for cause by a super-majority vote of our stockholders;

- providing that vacancies on our Board of Directors will be filled by the remaining directors then in office;

- requiring that a super-majority vote of our stockholders be obtained to amend or repeal specified provisions of our certificate of incorporation or by-laws; and

- eliminating the right of stockholders to call a special meeting of stockholders or take action by written consent without a meeting of stockholders.

In addition, Section 203 of the Delaware General Corporation Law generally provides that a corporation may not engage in any business combination with any interested stockholder during the three-year period following the time that the stockholder becomes an interested stockholder, unless a majority of the directors then in office approve either the business combination or the transaction that results in the stockholder becoming an interested stockholder or specified stockholder approval requirements are met.

In February 2005, our Board of Directors adopted a Rights Agreement between the Company and a rights agent (the "2005 Rights Agreement") and declared a dividend of one preferred share purchase right (a “Right”) for each outstanding share of our common stock payable upon the close of business on February 28, 2005 to the stockholders of record on that date. On January 15, 2015, our Board of Directors approved an amendment and restatement of the 2005 Rights Agreement by adopting an Amended and Restated Rights Agreement (the "Rights Agreement") between the Company and a rights agent. The Board adopted the Rights Agreement in an effort to protect stockholder value by attempting to diminish the risk that the Company's ability to use its net operating losses ("NOLs") to reduce potential future Federal income tax obligations may become substantially limited. Each Right entitles the registered holder to purchase from us one one-hundredth (1/100th) of a share of our Series A Junior Participating Preferred Stock (“Preferred Shares”) at a price of $8.50 per one one-hundredth of a Preferred Share, subject to adjustment. If any person becomes a 4.99% or more stockholder of the Company, then each Right (subject to certain limitations) will entitle its holder to purchase, at the Right's then current exercise price, a number of shares of common stock of the Company or of the acquirer having a market value at the time of twice the Right's per share exercise price. The Company's Board of Directors may redeem the Rights for $0.001 per Right at any time prior to the time when the Rights become exercisable. The Rights will expire on the earliest of (i) the date of the Company’s 2015 annual meeting of stockholders if the Company’s stockholders do not approve the Rights Agreement at the 2015 annual meeting of stockholders, (ii) January 15, 2018, (iii) the time at which the Rights are redeemed as described above, (iv) the time at which the Rights are exchanged pursuant to the terms of the Rights Agreement, (v) the repeal of Section 382 of the Internal Revenue Code if the Board determines that the Rights Agreement is no longer necessary for the preservation of the Company’s NOLs, and (vi) the beginning of a taxable year of the Company to which the Board determines that no NOLs may be carried forward. The Rights may have certain anti-takeover effects. The Rights may cause substantial dilution to any person or group that attempts to acquire the Company without the approval of the Board. As a result, the overall effect of the rights may be to render more difficult or discourage a merger, tender offer or other business combination involving the Company that is not supported by the Board.

Proxy contests and any other actions of activist stockholders could have a negative effect on our business.

The Company experienced a proxy contest from activist stockholders in connection with its 2014 annual meeting of stockholders. If further proxy contests or any other dissident stockholder activities ensue, then our business could be adversely affected because responding to proxy contests, litigation and other actions by dissident stockholders can be costly and time-consuming, disrupt our operations and divert the attention of management and our employees. In addition, perceived uncertainties as to our future direction may result in the loss of potential business opportunities and harm our ability to attract new investors and clientsand to retain and attract experienced management and employees. Also, we may experience a significant increase in legal fees, administrative and associated costs incurred in connection with responding to a proxy contest or related action. These actions could also cause our stock price to experience periods of volatility or stagnation.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

All of the Company's operating offices are located in leased premises. Our principal executive office is located at 560 Lexington Avenue, New York, New York, where we occupy space under a lease expiring in March 2017 with approximately 9,000 aggregate square feet.

Hudson Americas maintains 6 leased locations with approximately 45,000 aggregate square feet. Hudson Asia Pacific maintains 16 leased locations with approximately 150,000 aggregate square feet. Hudson Europe maintains 28 leased locations with approximately 199,000 aggregate square feet. All leased space is considered to be adequate for the operation of its business, and no difficulties are foreseen in meeting any future space requirements.

ITEM 3. 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 or threatened legal proceedings that it believes could reasonably be expected to have a material adverse effect on its financial condition or results of operations.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

EXECUTIVE OFFICERS OF THE REGISTRANT

The following table sets forth certain information, as of February 25, 2015, regarding the executive officers of Hudson Global, Inc.:

Name	Age	Title
Manuel Marquez Dorsch	56	Chairman and Chief Executive Officer
Stephen A. Nolan	54	Executive Vice President, Chief Financial Officer and Corporate Controller
Arthur Curcuru	33	Senior Vice President, Finance
Neil J. Funk	63	Vice President, Internal Audit

The following biographies describe the business experience of our executive officers:

Manuel Marquez Dorsch has served as Chairman and Chief Executive Officer since 2011, with overall responsibility for the Company's growth strategy, operational execution and performance. Mr. Marquez has over 20 years of experience in senior leadership positions. Most recently, from 2007 to 2010, he was the chief executive officer of Amper S.A., a leading defense, homeland security and telecom services company in Spain with approximately 1,200 employees. Prior to joining Amper, Mr. Marquez spent 15 years in the recruitment industry with Spencer Stuart, an international leader in executive search consulting services. He joined Spencer Stuart in 1991 and co-founded one of the firm's first specialized industry practices, High Technology. In 1995, he was asked to lead the European Telecommunications Practice. From 1997 to 2000, he was the Managing Partner responsible for the Spanish market. From 2000 to 2005, he was a member of the global executive team of Spencer Stuart responsible for the firm's operations in Europe, India and South Africa. Mr. Marquez began his professional career at IBM in 1981. He later joined Digital Equipment Corporation in 1989, as marketing and sales director for its Spanish subsidiary.

Stephen A. Nolan has served as Executive Vice President, Chief Financial Officer and Corporate Controller since 2013, with overall responsibility for the Company's accounting, finance, treasury, IT and related risk management functions. Mr. Nolan has more than 30 years of experience in finance, operations and strategic planning. From 2004 to 2012, he served as the Chief Financial Officer at Adecco Group North America, a $5 billion staffing and human capital division of the global workforce solutions company, Adecco S.A. Previously, Mr. Nolan served as Chief Financial Officer North America for DHL Global Forwarding from 2001 until 2004. Prior to that, he served in a variety of finance and strategic development roles, including 15 years at Reckitt Benckiser Inc., a global household, health and personal care products company. Mr. Nolan is a Chartered Accountant and began his career as Audit Senior with PricewaterhouseCoopers in Ireland.

Arthur Curcuru has served as Senior Vice President, Finance since May 1, 2014 with responsibilities in the Company's corporate developments and strategic actions. Prior to joining the Company, Mr. Curcuru was employed at KPMG LLP, a multi-national auditing and consulting firm for approximately 10 years since 2004, most recently as a Senior Manager in its audit practice.

Neil J. Funk has served as Vice President, Internal Audit since joining the Company in 2003. Prior to joining the Company, Mr. Funk was a Senior Manager at Deloitte & Touche LLP, a multi-national auditing and consulting firm, from 2000 until 2003. During 2000, before joining Deloitte & Touche, Mr. Funk was with Prudential Financial, Inc., a large insurance company, specializing in personal financial planning. Before joining Prudential Financial, Inc., Mr. Funk was District Audit Manager for PRG-Schultz, Inc., a recovery audit company, based in Atlanta, Georgia from 1997 until 2000.

Executive officers are elected by, and serve at the discretion of, the Board of Directors. There are no family relationships between any of our directors or executive officers.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

MARKET FOR COMMON STOCK

The Company's common stock was listed for trading on the NASDAQ Global Select Market during 2014 under the symbol "HSON." On January 31, 2015, there were approximately 541 holders of record of the Company's common stock.

The following is a list by fiscal quarter of the market prices of the Company's common stock.

	Market Price	
	High	Low
2014		
Fourth quarter	$3.84	$2.69
Third quarter	$4.06	$3.49
Second quarter	$4.33	$3.33
First quarter	$4.17	$3.31
2013		
Fourth quarter	$4.27	$3.06
Third quarter	$3.38	$2.11
Second quarter	$3.92	$2.10
First quarter	$4.90	$3.56

We have never declared or paid cash dividends on our common stock, and we currently do not intend to declare or pay cash dividends on our common stock. Any payment of cash dividends will depend upon our financial condition, capital requirements, earnings and other factors deemed relevant by our Board of Directors. In addition, the terms of our credit agreement restrict us from paying dividends and making other distributions.

ISSUER PURCHASES OF EQUITY SECURITIES

The Company's purchases of its common stock during the fourth quarter of fiscal 2014 were as follows:

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)
October 1, 2014 - October 31, 2014	—	—	—	6,792,000
November 1, 2014 - November 30, 2014	—	—	—	6,792,000
December 1, 2014 - December 31, 2014 (b)	2,216	$3.10	—	6,792,000
Total	2,216	$3.10	—	6,792,000

(a) On February 4, 2008, the Company announced that its Board of Directors authorized the repurchase of a maximum of $15 million of the Company's common stock. The Company has repurchased 1,491,772 shares for a total cost of approximately $8.2 million under this authorization.

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

The following information in this Item 5 of this Annual Report on Form 10-K is not deemed to be “soliciting material” or to be “filed” with the SEC or subject to Regulation 14A or 14C under the Securities Exchange Act of 1934 or to the liabilities of Section 18 of the Securities Exchange Act of 1934, and will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent we specifically incorporate it by reference into such a filing.

PERFORMANCE INFORMATION

The following graph compares on a cumulative basis changes since December 31, 2009 in (a) the total stockholder return on the Company's common stock with (b) the total return on the Russell 2000 Index and (c) the total return on the companies in a peer group selected in good faith by the Company, in each case assuming reinvestment of dividends. Such changes have been measured by dividing (x) the difference between the price per share at the end of and the beginning of the measurement period by (y) the price per share at the beginning of the measurement period. The graph assumes $100 was invested on December 31, 2009 in the Company's common stock, the Russell 2000 Index and the peer group consisting of Resources Connection, Inc., Kelly Services, Inc., Kforce, Inc., and CDI Corporation. The returns of each component company in the peer group have been weighted based on each company's relative market capitalization on December 31, 2014.

	December 31,					
	2009	2010	2011	2012	2013	2014
HSON	$100.00	$122.74	$100.84	$94.32	$84.63	$65.26
RUSSELL 2000 INDEX	$100.00	$125.31	$118.47	$135.81	$186.07	$192.63
PEER GROUP	$100.00	$129.06	$93.05	$113.16	$158.13	$153.97

ITEM 6. SELECTED FINANCIAL DATA

The following table shows selected financial data of the Company that has been adjusted to reflect the classification of certain businesses as discontinued operations. The data has been derived from, and should be read together with, the Consolidated Financial Statements and corresponding notes and “Management's Discussion and Analysis of Financial Condition and Results of Operations” included in Items 7 and 8 of this Form 10-K.

	Year Ended December 31,				
	2014	2013	2012	2011	2010
	(dollars in thousands, except per share data)				
SUMMARY OF OPERATIONS (a):					
Revenue	$581,192	$562,572	$655,875	$780,927	$682,145
Gross margin	$222,845	$209,429	$257,793	$314,253	$273,664
Business reorganization and integration expense	$3,789	$5,440	$7,506	$720	$1,625
Operating income (loss)	$(17,486)	$(27,152)	$(10,094)	$5,928	$(7,349)
Income (loss) from continuing operations	$(15,786)	$(30,211)	$(7,222)	$3,623	$(5,118)
Income (loss) from discontinued operations, net of income taxes	$2,592	$(184)	$1,887	$7,286	$433
Net income (loss)	$(13,194)	$(30,395)	$(5,335)	$10,909	$(4,685)
Basic income (loss) per share from continuing operations	$(0.48)	$(0.93)	$(0.22)	$0.11	$(0.17)
Basic net income (loss) per share	$(0.40)	$(0.94)	$(0.17)	$0.35	$(0.16)
Diluted income (loss) per share from continuing operations	$(0.48)	$(0.93)	$(0.22)	$0.11	$(0.17)
Diluted net income (loss) per share	$(0.40)	$(0.94)	$(0.17)	$0.34	$(0.16)
OTHER FINANCIAL DATA:					
Net cash provided by (used in) operating activities	$(17,840)	$2,513	$13,159	$13,396	$(15,658)
Net cash provided by (used in) investing activities	$16,731	$(2,557)	$(8,272)	$(6,584)	$1,140
Net cash provided by (used in) financing activities	$(1,256)	$(497)	$(4,274)	$1,639	$7,578
BALANCE SHEET DATA:					
Current assets	$118,921	$134,323	$157,412	$181,923	$172,087
Total assets	$139,672	$158,829	$193,468	$216,546	$205,834
Current liabilities	$67,117	$69,818	$67,168	$90,515	$93,760
Total stockholders’ equity	$59,257	$74,385	$106,541	$107,357	$93,278
OTHER DATA:					
EBITDA (loss) (b)	$(11,725)	$(20,471)	$(3,788)	$11,885	$4,459

(a) Effective November 9, 2014, the Company completed the sale of substantially all of the assets and certain liabilities of the Legal eDiscovery business in the U.S and U.K. to Document Technologies, LLC and DTI of London Limited. In addition, the Company ceased its operations in Sweden within the Hudson Europe segment during the third quarter of 2014. The results of operations of the Legal eDiscovery business and the Company's operations in Sweden have been reclassified to discontinued operations for all periods presented and has been excluded from continuing operations in accordance with the provisions of ASC 205-20-45, “Reporting Discontinued Operations." See Note 3 included in Item 8 of this Form 10-K for additional information.

(b) SEC Regulation S-K 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 generally accepted accounting principles or as a measure of the Company's profitability. See Note 17 to the

Consolidated Financial Statements for further EBITDA segment and reconciliation information.

ITEM 7. 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 Consolidated Financial Statements and the notes thereto, included in Item 8 of this Form 10-K. 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 to the Consolidated Financial Statements for EBITDA segment reconciliation information.
This MD&A includes the following sections:

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

Executive Overview

The Company has deep expertise in recruiting professional talent across all management disciplines in a wide range of industries, matching clients and candidates to address client needs on a part time, full time and interim basis. The Company provides those services as an independent third party and through the provision of outsourced services as a function of its Recruitment Process Outsourcing (RPO) business. The Company also provides expert guidance and services in the areas of talent assessment, leadership development and transition management through its Talent Management business, leveraging the proprietary tools and techniques developed by its in-house Research & Development division based in Belgium. With operations in 18 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, proprietary tools and methodologies, world-class talent solutions and a tailored, consultative approach to help businesses and professionals achieve maximum performance. To accelerate the implementation of the Company's strategy, we have engaged in the following initiatives:

- Investing in the core businesses and practices that present the greatest potential for profitable growth.
- Further improving the Company’s cost structure and efficiency of its support functions and infrastructure.
- Building and differentiating the Company's brand through its unique talent solutions offerings.

Discontinued Operations

Effective November 9, 2014, the Company completed the sale of substantially all of the assets and certain liabilities of the Legal eDiscovery business in the U.S and U.K. to Document Technologies, LLC and DTI of London Limited for $23.0 million in cash, and recorded a gain of $11.3 million in connection with the sale. The divestiture is a significant component of the Company's previously announced efforts to focus on its core business lines and growth opportunities. In addition, the Company ceased its operations in Sweden within the Hudson Europe segment during the third quarter of 2014.

The Company's divestiture of its Legal eDiscovery business and exit of operations in Sweden accounted for $5.5 million and $1.1 million of operating losses for the year ended December 31, 2014, respectively, which have been reclassified to discontinued operations for all periods presented and have been excluded from continuing operations and from segment results for all periods presented in accordance with the provisions of ASC 205-20-45 "Reporting Discontinued Operations". See Note 3 included in Item 8 of this Form 10-K for additional information.

Current Market Conditions

Economic conditions in most of the world's major markets remain mixed. Most of the economies in Continental Europe have experienced slower growth or GDP declines in recent months. Civil unrest in Hong Kong has had an adverse impact on business conditions there. If the current market conditions persist, the Company may experience diminished operating performance. 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 conditions and their effect on the demand for the Company's services.

Financial Performance

The Company has showed progress in its financial performance from continuing operations on its path towards delivering sustained profitability. On a year-over-year basis, the Company experienced improvements in revenue, gross margin and EBITDA in 2014 as compared to 2013. These improvements were led by growth in Asia Pacific benefiting from double-digit percentage revenue and gross margin growth in the RPO practice. The Company experienced mixed revenue results in Europe, as the U.K. and parts of Continental Europe faced challenges, resulting in a revenue decrease of 1.0% on a constant currency basis. However, the Company reported a growth in gross margin of 3.2% on a constant currency basis due to strong results in higher margin businesses such as permanent recruitment and talent management. EBITDA as compared to 2013 improved significantly as a result of the gross margin improvements and impact of cost savings initiatives enacted during 2014 through the Company's restructuring programs.

The following is a summary of the highlights for the years ended December 31, 2014, 2013 and 2012. These should be considered in the context of the additional disclosures in this MD&A.

- Revenue was $581.2 million for the year ended December 31, 2014, compared to $562.6 million for 2013, an increase of $18.6 million, or 3.3%.

On a constant currency basis, the Company's revenue increased $19.9 million, or 3.5%. Of this increase, $13.9 million was in permanent recruitment revenue (up 12.3% compared to 2013) and $5.3 million was in talent management revenue (up 14.0% compared to 2013).

Revenue was $562.6 million for the year ended December 31, 2013, compared to $655.9 million for 2012, a decrease of $93.3 million, or 14.2%.

On a constant currency basis, the Company's revenue decreased $79.2 million, or 12.4%. Of this decrease, $42.0 million was in contracting revenue (down 9.4% compared to 2012), $28.7 million was in permanent recruitment revenue (down 20.3% compared to 2012) and $6.9 million was in talent management revenue (down 15.3% compared to 2012).

- Gross margin was $222.8 million for the year ended December 31, 2014, compared to $209.4 million for 2013, an increase of $13.4 million, or 6.4%.
On a constant currency basis, gross margin increased $14.7 million, or 7.1%. Of this increase, $13.8 million was in permanent recruitment gross margin (up 12.4% compared to 2013) and $3.8 million was in talent management gross margin (up 11.8% compared to 2013). The increase was partially offset by a decrease of $2.6 million in contracting gross margin (down 4.0% compared to 2013).
Gross margin was $209.4 million for the year ended December 31, 2013, compared to $257.8 million for 2012, a decrease of $48.4 million, or 18.8%.
On a constant currency basis, gross margin decreased $44.3 million, or 17.5%. Of this decrease, $28.1 million was in permanent recruitment gross margin (down 20.3% compared to 2012), $9.9 million was in contracting gross margin (down 13.2% compared to 2012) and $5.4 million was in talent management gross margin (down 14.5% compared to 2012).
- Selling, general and administrative expenses and other non-operating income (expense) (“SG&A and Non-Op”) was $230.1 million for the year ended December 31, 2014, compared to $223.1 million for 2013, an increase of $7.0 million, or 3.1%.
On a constant currency basis, SG&A and Non-Op increased $8.3 million, or 3.8%. SG&A and Non-Op, as a percentage of revenue, was 39.6% for the year ended December 31, 2014, compared to 39.5% for 2013.
SG&A and Non-Op were $223.1 million for the year ended December 31, 2013, compared to $254.1 million for 2012, a decrease of $31.0 million, or 12.2%.
On a constant currency basis, SG&A and Non-Op decreased $27.6 million, or 11.1%. SG&A and Non-Op, as a percentage of revenue, was 39.7% for the year ended December 31, 2013, compared to 38.9% for 2012.
- Business reorganization expenses were $3.8 million for the year ended December 31, 2014, compared to $5.4 million for 2013, a decrease of $1.7 million on both a reported and constant currency basis.
Business reorganization expenses were $5.4 million for the year ended December 31, 2013, compared to $7.5 million for 2012, a decrease of $2.1 million, or $2.3 million on constant currency basis.
- For the year ended December 31, 2014, the Company recorded $0.7 million of charges for impairment of long-lived assets as compared to $1.3 million in 2013. See "Long-lived Assets and Goodwill" below for further detail.
- EBITDA loss was $11.7 million for the year ended December 31, 2014, compared to EBITDA loss of $20.5 million for 2013. On a constant currency basis, EBITDA loss decreased $8.6 million in 2014 compared to 2013.
EBITDA loss was $20.5 million for the year ended December 31, 2013, compared to EBITDA loss of $3.8 million for 2012. On a constant currency basis, EBITDA loss increased $15.7 million in 2013 compared to 2012.
- Net loss was $13.2 million for the year ended December 31, 2014, compared to net loss of $30.4 million for 2013. On a constant currency basis, net loss decreased $16.4 million in 2014 compared to 2013.
Net loss was $30.4 million for the year ended December 31, 2013, compared to a net loss of $5.3 million for 2012. On a constant currency basis, net loss increased $24.1 million in 2013 compared to 2012.

Long-lived Assets and Goodwill

Under Financial Accounting Standards Board ("FASB") Accounting Standard Codification (“ASC”) 360, “Property, Plant, and Equipment," the Company is required to test a long-lived asset for impairment if circumstances indicate that its carrying value might exceed its current fair value.

The Company's internal projections as of the fourth quarter of 2014 anticipates a recovery in its operating performance in 2015, but that performance in certain markets would remain challenging. The testing of long-lived assets indicated that certain long-lived assets, primarily in France and Hong Kong, were impaired, and accordingly, the Company recorded a charge of approximately $0.7 million under the caption of “Impairment of long-lived assets” in the Company’s Consolidated Statements of Operations.

In addition to the Company's long-lived assets impairment testing, the Company's management also tested its goodwill for potential impairment. At the conclusion of its goodwill impairment testing, the Company estimated the fair value of its China reporting unit significantly exceeded its carrying value. As such, the Company determined that no impairment of goodwill had taken place.

Although the Company currently anticipates an improvement in its operating results for 2015, if general economic conditions in certain markets in which the Company operates remain weak, or if the Company’s performance does not improve, the Company may record additional impairment charges related to goodwill and other long-lived assets in the future.

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 our 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 previously reported periods are translated into U.S. dollars using the same foreign currency exchange rates that were used to translate financial data for the current period. The Company’s management reviews and analyzes business results in constant currency and believes these results better represent the Company’s underlying business trends. Changes in foreign currency exchange rates generally impact only reported earnings.

Changes in revenue, gross margin, SG&A and Non-Op, business reorganization expenses, operating income (loss), net income (loss) and EBITDA (loss) include the effect of changes in foreign currency exchange rates. The tables below summarize the impact of foreign currency exchange rate adjustments on the Company’s operating results for the years ended December 31, 2014, 2013 and 2012.

	Year Ended December 31,						
	2014	2013			2012		
$ in thousands	As reported	As reported	Currency translation	Constant currency	As reported	Currency translation	Constant currency
Revenue:							
Hudson Americas	$50,146	$51,857	$(67)	$51,790	$60,015	$(183)	$59,832
Hudson Asia Pacific	246,873	232,748	(10,321)	222,427	288,144	(26,107)	262,037
Hudson Europe	284,173	277,967	9,109	287,076	307,716	10,925	318,641
Total	$581,192	$562,572	$(1,279)	$561,293	$655,875	$(15,365)	$640,510
Gross margin:							
Hudson Americas	$20,757	$18,692	$(63)	$18,629	$22,026	$(173)	$21,853
Hudson Asia Pacific	93,014	87,162	(3,352)	83,810	117,428	(8,966)	108,462
Hudson Europe	109,074	103,575	2,144	105,719	118,339	3,786	122,125
Total	$222,845	$209,429	$(1,271)	$208,158	$257,793	$(5,353)	$252,440
SG&A and Non-Op (a):							
Hudson Americas	$20,582	$18,957	$(78)	$18,879	$22,259	$(142)	$22,117
Hudson Asia Pacific	92,127	89,073	(3,441)	85,632	110,798	(8,549)	102,249
Hudson Europe	108,613	108,564	2,167	110,731	117,760	3,975	121,735
Corporate	8,797	6,530	—	6,530	3,258	—	3,258
Total	$230,119	$223,124	$(1,352)	$221,772	$254,075	$(4,716)	$249,359
Business reorganization expenses:							
Hudson Americas	$94	$448	$—	$448	$877	$—	$877
Hudson Asia Pacific	1,322	989	(72)	917	1,285	(42)	1,243
Hudson Europe	1,407	3,214	92	3,306	4,986	272	5,258
Corporate	966	789	(1)	788	357	2	359
Total	$3,789	$5,440	$19	$5,459	$7,505	$232	$7,737
Operating income (loss):							
Hudson Americas	$870	$1,367	$(5)	$1,362	$1,329	$(57)	$1,272
Hudson Asia Pacific	(3,013)	(5,883)	353	(5,530)	7,988	(474)	7,514
Hudson Europe	3,112	(5,251)	18	(5,233)	(140)	(148)	(288)
Corporate	(18,455)	(17,385)	(2)	(17,387)	(19,271)	—	(19,271)
Total	$(17,486)	$(27,152)	$364	$(26,788)	$(10,094)	$(679)	$(10,773)
Net income (loss), consolidated	$(13,194)	$(30,395)	$803	$(29,592)	$(5,335)	$(131)	$(5,466)

EBITDA (loss) from continuing operations(b):							
Hudson Americas	$117	$(717)	$15	$(702)	$(1,124)	$(29)	$(1,153)
Hudson Asia Pacific	(890)	(3,227)	171	(3,056)	5,354	(371)	4,983
Hudson Europe	(1,187)	(9,197)	(55)	(9,252)	(4,406)	(464)	(4,870)
Corporate	(9,765)	(7,330)	(5)	(7,335)	(3,612)	(3)	(3,615)
Total	$(11,725)	$(20,471)	$126	$(20,345)	$(3,788)	$(867)	$(4,655)

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

(b) See EBITDA reconciliation in the following section.

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. EBITDA is also considered by management as the best indicator of operating performance and most comparable measure across the regions in which we operate. Management also uses this measurement 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 U.S. ("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:

	Year Ended December 31,		
$ in thousands	2014	2013	2012
Net income (loss)	$(13,194)	$(30,395)	$(5,335)
Adjustment for income (loss) from discontinued operations, net of income taxes	2,592	(184)	1,887
Income (loss) from continuing operations	$(15,786)	$(30,211)	$(7,222)
Adjustments to income (loss) from continuing operations			
Provision for (benefit from) income taxes	(2,159)	3,264	(3,109)
Interest expense, net	661	554	561
Depreciation and amortization expense	5,559	5,922	5,982
Total adjustments from income (loss) from continuing operations to EBITDA (loss)	4,061	9,740	3,434
EBITDA (loss)	$(11,725)	$(20,471)	$(3,788)

Temporary Contracting Data
The following table sets forth the Company’s temporary contracting revenue, gross margin and gross margin as a percentage of revenue for the years ended December 31, 2014, 2013 and 2012.

	Year Ended December 31,						
	2014	2013			2012		
$ in thousands	As reported	As reported	Currency translation	Constant currency	As reported	Currency translation	Constant currency
TEMPORARY CONTRACTING DATA (a):							
Temporary contracting revenue:							
Hudson Americas	$37,816	$42,538	$—	$42,538	$48,440	$—	$48,440
Hudson Asia Pacific	170,370	164,588	(8,032)	156,556	195,438	(19,590)	175,848
Hudson Europe	199,920	200,052	7,934	207,986	216,494	8,289	224,783
Total	$408,106	$407,178	$(98)	$407,080	$460,372	$(11,301)	$449,071
Temporary contracting gross margin:							
Hudson Americas	$8,738	$9,715	$—	$9,715	$10,855	$—	$10,855
Hudson Asia Pacific	21,412	23,359	(1,244)	22,115	30,317	(2,992)	27,325
Hudson Europe	32,370	32,193	1,074	33,267	35,423	1,358	36,781
Total	$62,520	$65,267	$(170)	$65,097	$76,595	$(1,634)	$74,961
Temporary contracting gross margin as a percent of temporary contracting revenue:							
Hudson Americas	23.11 %	22.84 %	N/A	22.84 %	22.41 %	N/A	22.41 %
Hudson Asia Pacific	12.57 %	14.19 %	N/A	14.13 %	15.51 %	N/A	15.54 %
Hudson Europe	16.19 %	16.09 %	N/A	15.99 %	16.36 %	N/A	16.36 %
Total	15.32 %	16.03 %	N/A	15.99 %	16.64 %	N/A	16.69 %

(a) Temporary contracting gross margin and gross margin as a percentage of revenue are shown to provide additional information regarding the Company’s ability to manage its cost structure and to provide further comparability relative to the Company’s peers. Temporary contracting gross margin is derived by deducting the direct costs of temporary contracting from temporary contracting revenue. The Company’s calculation of gross margin may differ from those of other companies. See details in Results of Operations for further discussions of the changes in temporary contract revenue and gross margin.

Results of Operations (Discussion of significant matters are presented below):
Hudson Americas (reported currency)
Revenue

$ in millions	Year Ended December 31, 2014 As reported	2013 As reported	Change in amount	Change in %	2012 As reported	Change in amount	Change in %
Hudson Americas Revenue	$50.1	$51.9	$(1.7)	(3.3)%	$60.0	$(8.2)	(13.6)%

For the year ended December 31, 2014, contracting revenue decreased $4.7 million, or 11.1%, partially offset by an increase in permanent recruitment of $3.0 million, or 32.3%, as compared to 2013. The decline in contracting revenue was in the IT practice due to a lower client activities for two large customers. Substantially all of the increase in permanent recruitment revenue was attributable to growth in the Company's RPO practice through new clients acquired in the past twelve months as well as higher activity from the Company's existing clients.

For the year ended December 31, 2013, contracting revenue decreased $5.9 million, or 12.2%, and permanent recruitment revenue decreased $2.3 million, or 19.5%, as compared to 2012. The decline in contracting revenue was in the IT practice due to a decrease in billable contractor volume due to closing of certain offices as well as the exit of the financial solutions business in 2013. The decline in the permanent recruitment revenue was primarily in the RPO practice and resulted from the loss of revenue from a large client in late 2012 due to an acquisition.

Gross margin

$ in millions	Year Ended December 31, 2014 As reported	2013 As reported	Change in amount	Change in %	2012 As reported	Change in amount	Change in %
Hudson Americas Gross margin	$20.8	$18.7	$2.1	11.0%	$22.0	$(3.3)	(15.1)%
Gross margin as a percentage of revenue	41.4%	36.0%	N/A	N/A	36.7%	N/A	N/A
Contracting gross margin as a percentage of contracting revenue	23.1%	22.8%	N/A	N/A	22.4%	N/A	N/A

For the year ended December 31, 2014, permanent recruitment gross margin increased $3.0 million, or 33.8%, partially offset by a decrease in contracting gross margin of $1.0 million, or 10.1%, as compared to 2013. The changes in gross margin were attributable to the same factors as described above for revenue. Contracting gross margin, as a percentage of revenue, was 23.1% for the year ended December 31, 2014, as compared to 22.8% for 2013. Total gross margin, as a percentage of revenue, increased to 41.4% for 2014, as compared to 36.0% for 2013, and was primarily due to growth in permanent recruitment activities from the RPO practice.

For the year ended December 31, 2013, permanent recruitment gross margin decreased $2.2 million, or 19.7%, and contracting gross margin decreased $1.1 million, or 10.5%, as compared to 2012. The changes in gross margin were attributable to the same factors as described above for revenue. Contracting gross margin, as a percentage of revenue, was 22.8% for the year ended December 31, 2013, as compared to 22.4% for 2012. Total gross margin, as a percentage of revenue, decreased to 36.0% for the year ended December 31, 2013 from 36.7% in 2012 and was attributable principally to a greater extent of decline in permanent recruitment gross margin from the loss of revenue from a large client in late 2012 due to an acquisition.

Selling, general and administrative expenses and non-operating income (expense) ("SG&A and Non-Op")

$ in millions	Year Ended December 31, 2014 As reported	2013 As reported	Change in amount	Change in %	2012 As reported	Change in amount	Change in %
Hudson Americas							
SG&A and Non-Op	$20.6	$19.0	$1.6	8.6 %	$22.3	$(3.3)	(14.8)%
SG&A and Non-Op as a percentage of revenue	41.0 %	36.6 %	N/A	N/A	37.1 %	N/A	N/A

For the year ended December 31, 2014, SG&A and Non-Op increased as compared to the same period in 2013 due to a lower proportion of administrative expenses being allocated to the discontinued Legal eDiscovery business. Excluding the administrative expenses not allocated to the discontinued Legal eDiscovery business, SG&A and Non-Op expense decreased by approximately $0.8 million as compared to the same period in 2013, primarily from a reduction of support staff costs. SG&A and Non-Op, as a percentage of revenue, was 41.0% for the year ended December 31, 2014, as compared to 36.6% for 2013. The increase in SG&A and Non-Op, as a percentage of revenue, was due principally to a higher proportional administration costs.

For the year ended December 31, 2013, SG&A and Non-Op decreased as compared to 2012. Lower gross margin-related compensation, reduced professional and actions taken to streamline business processes resulted in lower SG&A and Non-Op. SG&A and Non-Op, as a percentage of revenue, was 36.6% for the year ended December 31, 2013, as compared to 37.1% for 2012. The decrease in SG&A and Non-Op, as a percentage of revenue, was principally due to the streamlining of business processes described above.

Business reorganization expenses

For the year ended December 31, 2014, business reorganization expenses were $0.1 million, as compared to $0.4 million and $0.9 million for 2013 and 2012, respectively. Business reorganization expenses incurred in 2014 were primarily related to exit costs associated with an office in California. Business reorganization expenses incurred in 2013 and 2012 were attributable to the realignment of the sales force, exiting unprofitable lines of business and the reduction of support staff costs.

Operating Income and EBITDA

$ in millions	Year Ended December 31, 2014 As reported	2013 As reported	Change in amount	Change in %	2012 As reported	Change in amount	Change in %
Hudson Americas							
Operating income (loss):	$0.9	$1.4	$(0.5)	(36.4)%	$1.3	$—	2.9 %
EBITDA (loss)	$0.1	$(0.7)	$0.8	(a)	$(1.1)	$0.4	(36.2)%
EBITDA as a percentage of revenue	0.2 %	(1.4)%	N/A	N/A	(1.9)%	N/A	N/A

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

For the year ended December 31, 2014, EBITDA was $0.1 million, or 0.2% of revenue, as compared to EBITDA loss of $0.7 million, or 1.4% of revenue, for 2013. The increase in EBITDA was principally due to a greater proportional increase in RPO gross margin. Operating income was $0.9 million for the year ended December 31, 2014, as compared to $1.4 million for 2013.

For the year ended December 31, 2013, EBITDA loss was $0.7 million, or 1.4% of revenue, as compared to a loss of $1.1 million, or 1.9% of revenue, for 2012. The increase in EBITDA was due to lower gross margin and business reorganization expenses in 2012. Operating income was $1.4 million for the year ended December 31, 2013, as

compared to $1.3 million for 2012.
The difference between operating income and EBITDA (loss) for the years ended December 31, 2014, 2013 and 2012 was principally due to the inclusion of corporate management fees and depreciation in the determination of operating income.

Hudson Asia Pacific (constant currency)
Revenue

$ in millions	Year Ended December 31, 2014 As reported	2013 Constant currency	Change in amount	Change in %	2012 Constant currency	Change in amount	Change in %
Hudson Asia Pacific Revenue	$246.9	$222.4	$24.4	11.0 %	$262.0	$(39.6)	(15.1)%

For the year ended December 31, 2014, contracting revenue, permanent recruitment revenue and talent management revenue increased $13.8 million, $8.0 million and $3.4 million, or 8.8%, 15.5% and 26.5%, respectively, as compared to 2013. The Company's RPO practice was a key factor to the growth of revenue in this region, which increased $27.4 million, or 77.44%, primarily led by the growth in Australia. In Australia, contracting revenue, permanent recruitment revenue and talent management revenue increased $18.8 million, $3.7 million and $3.6 million, or 15.3%, 14.8% and 35.0%, respectively, as compared to 2013. In China, permanent recruitment revenue increased $5.1 million, or 34.9%, primarily from the accounting and finance, sales and marketing and RPO practices.

For the year ended December 31, 2013, contracting and permanent recruitment revenue decreased $19.3 million and $18.0 million, or 11.0% and 25.8%, respectively, compared to 2012. The revenue decline in Asia Pacific was primarily in Australia, where contracting and permanent recruitment revenue declined $19.2 million and $10.2 million, or 13.5% and 28.9%, respectively. The softening of the economic growth in China caused a reduction in the demand in the mining & resources and the industrial & manufacturing sectors, which was primarily responsible for Australia’s revenue decline. Partially offsetting these declines was RPO in Australia, which recorded an increase in contracting revenue of $11.3 million (over 100% growth). In Asia, revenue decreased $6.7 million, or 20.4%, for the year ended December 31, 2013, as compared to 2012, primarily from Mainland China and Singapore and resulted from declining economic conditions in the region.

Gross margin

	Year Ended December 31, 2014 As reported	2013 Constant currency	Change in amount	Change in %	2012 Constant currency	Change in amount	Change in %
Hudson Asia Pacific Gross margin	$93.0	$83.8	$9.2	11.0 %	$108.5	$(24.7)	(22.7)%
Gross margin as a percentage of revenue	37.7 %	37.7 %	N/A	N/A	41.4 %	N/A	N/A
Contracting gross margin as a percentage of contracting revenue	12.6 %	14.1 %	N/A	N/A	15.5 %	N/A	N/A

For the year ended December 31, 2014, permanent recruitment and talent management gross margins increased $8.0 million and $2.0 million, or 15.6% and 20.1%, respectively, as compared to 2013. Australia and China accounted for the majority of the increase in gross margins, which increased by $6.2 million and $5.1 million, respectively, partially offset by declines in New Zealand and Singapore. Contracting gross margin, as a percentage of revenue, was 12.6%, as compared to 14.1% for 2013. The decline in gross margin as a percentage of revenue resulted from lower margin high-volume temporary contracting business from the RPO practice. Total gross margin, as a percentage of revenue, remained flat at 37.7%, as compared 2013.

For the year ended December 31, 2013, permanent recruitment and contracting gross margins decreased $18.1 million and $5.2 million, or 26.1% and 19.1%, respectively, as compared to 2012. Australia accounted for the majority of the decrease in gross margins with permanent recruitment declining by $10.3 million, or 29.5%, and contracting declining by $4.8 million, or 22.1%. Contracting gross margin, as a percentage of revenue, was 14.1%, as compared to 15.5% in 2012. The decline in gross margin as a percentage of revenue resulted from a greater proportion of RPO contracting revenue, which generally has lower margins. Total gross margin, as a percentage of revenue, was 37.7%, as compared to 41.4% for 2012. The lower gross margin percentage was attributable to a decline in permanent recruitment revenue.

SG&A and Non-Op

$ in millions	Year Ended December 31, 2014 As reported	2013 Constant currency	Change in amount	Change in %	2012 Constant currency	Change in amount	Change in %
Hudson Asia Pacific							
SG&A and Non-Op	$92.1	$85.6	$6.5	7.6 %	$102.2	$(16.6)	(16.3)%
SG&A and Non-Op as a percentage of revenue	37.3 %	38.5 %	N/A	N/A	39.0 %	N/A	N/A

For the year ended December 31, 2014, SG&A and Non-Op increased $6.5 million, or 7.6%, as compared to 2013, primarily due to higher average consultant headcount (up 18%) as well as higher commission paid to consultants for higher gross margin. SG&A and Non-Op, as a percentage of revenue, was 37.3% for 2014, as compared to 38.5% for 2013. The reductions in SG&A and Non-Op, as a percentage of revenue, were principally due to an increase in revenue as well as cost savings from recent reorganization actions.

For the year ended December 31, 2013, SG&A and Non-Op decreased $16.6 million, or 16.3%, as compared to 2012. Lower commissions paid as a result of the decrease in gross margin, decreased headcount and reduced corporate management fees resulted in an overall decrease in SG&A and Non-Op for the year ended December 31, 2013 as compared to 2012. SG&A and Non-Op, as a percentage of revenue, was 38.5% and remained largely consistent as compared to 39.0% in 2012.

Business reorganization expenses

For the year ended December 31, 2014, business reorganization expenses were $1.3 million, as compared to $0.9 million for 2013 and $1.2 million for 2012. The business reorganization expenses incurred in the current year were primarily related to a change-in-estimate for office space optimization in Australia and employee termination costs for integration of back-office support functions in Asia. Business reorganization expenses incurred in 2013 and 2012 were primarily for employee termination benefits related to the reduction of back-office support functions and lease exit costs to eliminate excess real estate.

Operating Income and EBITDA

$ in millions	Year Ended December 31, 2014 As reported	2013 Constant currency	Change in amount	Change in %	2012 Constant currency	Change in amount	Change in %
Hudson Asia Pacific							
Operating income (loss):	$(3.0)	$(5.5)	$2.5	(a)	$7.5	$(13.0)	(173.6)%
EBITDA (loss)	$(0.9)	$(3.1)	$2.2	(a)	$5.0	$(8.0)	(161.3)%
EBITDA as a percentage of revenue	(0.4)%	(1.4)%	N/A	N/A	1.9 %	N/A	N/A

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

For the year ended December 31, 2014, EBITDA loss was $0.9 million, or 0.4% of revenue, as compared to EBITDA loss of $3.1 million, or 1.4% of revenue, for 2013. The decrease in EBITDA loss for the year ended December 31, 2014 was principally due to higher revenue. Operating loss for the year ended December 31, 2014 was $3.0 million, as compared to operating loss of $5.5 million for 2013.
For the year ended December 31, 2013, EBITDA loss was $3.1 million, or 1.4% of revenue, as compared to EBITDA of $5.0 million, or 1.9% of revenue, for 2012. The decrease in EBITDA for the year ended December 31, 2013 was

principally due to the decline in gross margin. Operating loss for the year ended December 31, 2013 was $5.5 million, as compared to operating income of $7.5 million for 2012.

The difference between operating income (loss) and EBITDA (loss) for the years ended December 31, 2014, 2013 and 2012 was principally due to the inclusion of corporate management fees and depreciation in the determination of operating income (loss).

Hudson Europe (constant currency)
Revenue

$ in millions	Year Ended December 31, 2014 As reported	2013 Constant currency	Change in amount	Change in %	2012 Constant currency	Change in amount	Change in %
Hudson Europe Revenue	$284.2	$287.1	$(2.9)	(1.0)%	$318.6	$(31.6)	(9.9)%

For the year ended December 31, 2014, contracting revenue decreased $8.1 million, or 3.9%, partially offset by increases in permanent recruitment and talent management revenue of $2.8 million and $1.9 million, 5.4% and 7.5%, respectively, as compared to 2013. The decline in contracting revenue was primarily from the U.K., which decreased $8.5 million, or 5.4%, as compared to 2013. The overall decrease in revenue in the U.K. resulted primarily from declines in the banking & financial services sector. In Continental Europe, total revenue increased $5.5 million, or 5.7%, as compared to 2013 primarily due to increases in talent management and permanent recruitment revenue. Talent management and permanent recruitment revenue increased $2.6 million and $2.2 million, or 11.9% and 9.3%, respectively. The growth in talent management revenue occurred primarily in Belgium from customers in the public sector and manufacturing sector. The growth in permanent recruitment revenue occurred primarily in Belgium, led by practices in sales and marketing, engineering and industrial, and I.T. as well as in Spain, led by customers in the health sector .

For the year ended December 31, 2013, contracting, permanent recruitment and talent management revenue decreased $16.8 million, $8.6 million and $4.6 million, or 7.5%, 14.2% and 15.3%, respectively, as compared to 2012. In the U.K., contracting and permanent recruitment revenue declined $15.2 million and $3.1 million, or 8.8% and 9.8%, respectively, as compared to 2012. The overall decrease in revenue in the U.K. resulted from declines in the legal and banking & financial services sectors, partially offset by an increase in transportation and the government & public sectors. In Continental Europe, total revenue declined $11.7 million or, 10.7%, as compared to 2012. Permanent recruitment, talent management and contracting revenue declined $5.4 million, $3.5 million and $1.6 million, or 18.8%, 13.7% and 3.0%, respectively. The decline in permanent recruitment and talent management revenue occurred in France, Belgium and the Central Eastern Europe ("CEE") markets. The decline in France was principally related to a management reorganization. The decline in the CEE markets resulted largely from weaker economic conditions. Belgium accounted for the entire decline in contracting revenue, which was partially offset by an increase in the Netherlands where the engineering & industrial practice experienced growth.
Gross margin

$ in millions	Year Ended December 31, 2014 As reported	2013 Constant currency	Change in amount	Change in %	2012 Constant currency	Change in amount	Change in %
Hudson Europe Gross margin	$109.1	$105.7	$3.4	3.2%	$122.1	$(16.4)	(13.4)%
Gross margin as a percentage of revenue	38.4%	36.8%	N/A	N/A	38.3%	N/A	N/A
Contracting gross margin as a percentage of contracting revenue	16.2%	16.0%	N/A	N/A	16.4%	N/A	N/A

For the year ended December 31, 2014, permanent recruitment and talent management gross margins increased $2.7 million and $1.8 million, or 5.3% and 7.9%, respectively, as compared to 2013. In the U.K., permanent recruitment gross margin increased $0.9 million, or 0.8%, for the year ended December 31, 2014, as compared to 2013. In Continental Europe, talent management and permanent recruitment gross margins increased $2.0 million and $1.7

million, or 9.8% and 7.6%, respectively, as compared to 2013. The increases in permanent recruitment and talent management gross margins were attributable to the same factors as described above for revenue from Belgium and Spain. Contracting gross margin, as a percentage of revenue, remained consistent at 16.2% for the year ended December 31, 2014, as compared to 16.0% for 2013. Total gross margin, as a percentage of revenue, was 38.4% for the year ended December 31, 2014, as compared to 36.8% for 2013. The improvement in total gross margin, as a percentage of revenue, was primarily related to a greater proportional increase in permanent recruitment and talent management gross margins in 2014.

For the year ended December 31, 2013, permanent recruitment and contracting gross margins decreased $7.9 million and $3.5 million, or 13.6% and 9.6%, respectively, as compared to 2012. In the U.K., contracting and permanent recruitment gross margins declined $3.3 million and $2.3 million, or 12.9% and 7.9%, respectively, for the year ended December 31, 2013, as compared to 2012. In Continental Europe, permanent recruitment and talent management gross margins decreased $5.4 million and $3.3 million, or 19.2% and 13.8%, respectively, as compared to 2012. The decreases in permanent recruitment and talent management gross margins were attributable to the same factors as described above for revenue. Contracting gross margin, as a percentage of revenue, was 16.0% for the year ended December 31, 2013, as compared to 16.4% for 2012. Total gross margin, as a percentage of revenue, was 36.8% for the year ended December 31, 2013, as compared to 38.3% for 2012. The change in total gross margin, as a percentage of revenue, was primarily related to a greater proportional decrease in permanent recruitment gross margin in 2013.
SG&A and Non-Op

$ in millions	Year Ended December 31, 2014 As reported	2013 Constant currency	Change in amount	Change in %	2012 Constant currency	Change in amount	Change in %
Hudson Europe							
SG&A and Non-Op	$108.6	$110.7	$(2.1)	(1.9)%	$121.7	$(11.0)	(9.0)%
SG&A and Non-Op as a percentage of revenue	38.2%	38.6%	N/A	N/A	38.2%	N/A	N/A

For the year ended December 31, 2014, SG&A and Non-Op decreased by $2.1 million, or 1.9%, as compared to 2013. The decrease primarily resulted from reduced real estate costs in Continental Europe as well as lower staff compensation costs. SG&A and Non-Op, as a percentage of revenue, was 38.2% for 2014 and remained largely consistent as compared to 38.6% for 2013.

For the year ended December 31, 2013, SG&A and Non-Op decreased $11.0 million, or 9.0%, as compared to 2012. Lower gross margin-related and support staff compensation resulting from previous streamlining actions as well as reduced real estate costs accounted for the decrease in SG&A and Non-Op for 2013 as compared to 2012. The lower SG&A and Non-Op expenses offset 67.1% of the decline in gross margin for 2013. SG&A and Non-Op, as a percentage of revenue, was 38.6% for the year ended December 31, 2013, as compared to 38.2% for 2011.

Business reorganization expenses

For the year ended December 31, 2014, business reorganization expenses were $1.4 million, as compared to $3.3 million and $5.3 million for the same periods in 2013 and 2012, respectively. Current year's business reorganization expenses were attributable to employee termination costs primarily in Belgium, the Netherlands, France and the U.K. Business reorganization expenses in 2013 and 2012 were principally attributable to employee termination benefits and lease exit costs in France and Belgium.

Operating Income and EBITDA

$ in millions	Year Ended December 31, 2014 As reported	2013 Constant currency	Change in amount	Change in %	2012 Constant currency	Change in amount	Change in %
Hudson Europe							
Operating income (loss):	$3.1	$(5.2)	$8.3	(a)	$(0.3)	$(4.9)	1,717.0 %
EBITDA (loss)	$(1.2)	$(9.3)	$8.1	(a)	$(4.9)	$(4.4)	(a)
EBITDA (loss) as a percentage of revenue	(0.4)%	(3.2)%	N/A	N/A	(1.5)%	N/A	N/A

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

For the year ended December 31, 2014, EBITDA loss was $1.2 million, or 0.4% of revenue, as compared to EBITDA loss of $9.3 million, or 3.2% of revenue, for 2013. The decrease in EBITDA loss for the year ended December 31, 2014 was principally due to higher gross margin and lower costs related to reorganization initiatives. Operating income was $3.1 million for the year ended December 31, 2014, as compared to operating loss of $5.2 million for 2013.

For the year ended December 31, 2013, EBITDA loss was $9.3 million, or 3.2% of revenue, as compared to EBITDA loss of $4.9 million, or 1.5% of revenue, for 2012. The increase in EBITDA loss for the year ended December 31, 2013 was principally due to the decline in gross margin and impairment of long-lived assets in the U.K. and Belgium in 2013. Operating loss was $5.2 million for the year ended December 31, 2013, as compared to operating loss of $0.3 million for 2012.

The difference between operating income (loss) and EBITDA loss for the years ended December 31, 2014, 2013 and 2012 was principally due to the inclusion of corporate management fees and depreciation in the determination of operating income (loss).

The following are discussed in reported currency

Corporate expenses, net of corporate management fee allocations

Corporate expenses were $8.8 million for the year ended December 31, 2014, as compared to $6.5 million for 2013, an increase of $2.3 million. The increase was principally due to costs incurred in the current year in connection with the proxy contest for the Company's 2014 annual meeting of stockholders and organizational strategy review of approximately $1.4 million, as well as higher support staff bonus costs. The increases were offset by reductions in support staff salary costs and discretionary expenses as a result of cost savings initiatives completed during 2014. For the year ended December 31, 2013, corporate expenses were $6.5 million, as compared to $3.3 million for 2012, an increase of $3.3 million. The increase was principally due to lower management fee allocations to the reportable segments in 2013 and compensation-related costs incurred in connection with the replacement of the Company's Chief Financial Officer in 2013.

For the years ended December 31, 2014, 2013 and 2012, business reorganization expenses were $1.0 million, 0.8 million and $0.4 million, respectively, and primarily consisted of employee termination benefits.

Depreciation and Amortization Expense

Depreciation and amortization expense remained consistent at $5.6 million, $5.9 million and $6.0 million for the years ended December 31, 2014, 2013 and 2012, respectively.

Interest Expense

Interest expense remained consistent and was $0.7 million for the year ended December 31, 2014, as compared to $0.6 million and $0.6 million for 2013 and 2012, respectively.

Provision for (Benefit from) Income Taxes

The benefit from income taxes for the year ended December 31, 2014 was $2.2 million on $17.9 million of pre-tax loss, as compared to a provision for income taxes of $3.3 million on $26.9 million of pre-tax loss for 2013. The effective tax rate for the year ended December 31, 2014 was 12.0%, as compared to negative 12.1% for 2013. The change in the Company's effective tax rate for the year ended December 31, 2014 as compared to 2013 was primarily attributable to the Company's current year result with lesser expense for establishment of a valuation reserve for the Company's deferred tax assets in certain foreign jurisdictions. The effective tax rate differed from the U.S. Federal statutory rate of 35% due to the inability to recognize tax benefits on losses, state taxes, non-deductible expenses such as certain acquisition related payments, variations from the U.S. Federal statutory rate in foreign jurisdictions and taxes on repatriations of foreign profits.

The provision for income taxes for the year ended December 31, 2013 was $3.3 million on $26.9 million of pre-tax income, as compared to a benefit from income taxes of $3.1 million on a $10.3 million pre-tax loss for 2012. The effective tax rate for the year ended December 31, 2013 was negative 12.1%, as compared to 30.1% for 2012. The change in the Company's effective tax rate for the year ended December 31, 2013 as compared to 2012 was primarily attributable to the Company's inability to benefit from losses in certain foreign jurisdictions in the current year and the establishment of a valuation reserve for the Company's deferred tax assets in certain foreign jurisdictions. The effective tax rate differed from the U.S.Federal statutory rate of 35% primarily due to an increase in the valuation allowance for deferred tax assets and the Company's inability to recognize tax benefits on net losses in certain foreign jurisdictions, state taxes, withholding taxes, non-deductible expenses, and foreign tax rates that vary from the U.S. Federal statutory rate.

Income (Loss) from Discontinued Operations

Income from discontinued operations was $2.6 million for the year ended December 31, 2014, as compared to loss from discontinued operations of $0.2 million for 2013 and income from discontinued operations of $1.9 million in 2012. The current year result included a $11.3 million gain from the sale of the Legal eDiscovery business. The decrease in income from discontinued operations in 2014, excluding the effect of the $11.3 million gain from sale of the Legal eDiscovery business, were primarily due to the Legal eDiscovery business.

Net Income (Loss)

Net loss was $13.2 million for the year ended December 31, 2014, as compared $30.4 million for 2013, a decrease in net loss of $17.2 million. Basic and diluted loss per share were both $0.40 for the year ended December 31, 2014, as compared to basic and diluted loss per share of $0.94 for 2013.

Net loss was $30.4 million for the year ended December 31, 2013, as compared to net loss of $5.3 million for 2012, an increase in net loss of $25.1 million. Basic and diluted loss per share were both $0.94 for the year ended December 31, 2013, as compared to $0.17 for 2012.

Liquidity and Capital Resources

As of December 31, 2014, cash and cash equivalents totaled $34.0 million, as compared to $37.4 million as of December 31, 2013 and $38.7 million as of December 31, 2012. The following table summarizes the cash flow activities for the years ended December 31, 2014, 2013 and 2012:

	For The Year Ended December 31,		
(In millions)	2014	2013	2012
Net cash provided by (used in) operating activities	$(17.8)	$2.5	$13.2
Net cash provided by (used in) investing activities	16.7	(2.6)	(8.3)
Net cash provided by (used in) financing activities	(1.3)	(0.5)	(4.3)
Effect of exchange rates on cash and cash equivalents	(1.0)	(0.7)	0.7
Net increase (decrease) in cash and cash equivalents	(3.4)	(1.3)	1.4

Cash Flows from Operating Activities

For the year ended December 31, 2014, net cash used in operating activities was $17.8 million, as compared to net cash provided by operating activities of $2.5 million in 2013, a decrease of net cash provided by operating activities of $20.4 million. The decrease in net cash provided by operating activities resulted principally from an increase in accounts receivable, partially offset by lower net loss for the current year. Net cash used in operating activities from discontinued operations was $10.2 million for the year ended December 31, 2014 as compared to cash provided by operating activities from discontinued operation of $8.3 million in 2013.

For the year ended December 31, 2013, net cash provided by operating activities was $2.5 million, as compared to $13.2 million in 2012, a decrease of $10.6 million. The decrease in net cash provided by operating activities resulted principally from lower net income in the current year, and was partially offset by cash collections from clients. Net cash provided by operating activities from discontinued operations was $8.3 million for the year ended December 31, 2013 as compared to cash used in operating activities from discontinued operations of $0.5 million in 2012.

Cash Flows from Investing Activities

For the year ended December 31, 2014, net cash provided by investing activities was $16.7 million, as compared to net cash used in investing activities of $2.6 million in 2013, an increase in net cash provided by investing activities of $19.3 million. The increase in net cash provided by investing activities was principally related to the proceeds from sale of the Legal eDiscovery business and was partially offset by an increase in capital expenditures, from $2.6 million in 2013 to $5.3 million in 2014. The increase in capital expenditures was primarily due to landlord-funded leasehold improvements in connection with newly-leased properties and costs for upgrading the Company's website for mobile device interfaces.

For the year ended December 31, 2013, net cash used in investing activities was $2.6 million, as compared to $8.3 million in 2012, a decrease of $5.7 million. The decrease in cash net used in investing activities was principally related to the non-recurrence of $3.9 million of landlord-funded leasehold improvements in connection with a newly-leased property in 2012 and reduced spending on new IT projects in 2013.

Cash Flows from Financing Activities

For the year ended December 31, 2014, net cash used in financing activities was $1.3 million, as compared to $0.5 million in 2013, an increase of $0.8 million. The increase in net cash used in financing activities was primarily attributable to net repayments of the Company's credit facilities in 2014 as compared to 2013.

For the year ended December 31, 2013, net cash used in financing activities was $0.5 million, as compared to $4.3 million for 2012, a decrease in net cash used in financing activities of $3.8 million. The decrease in net cash used in financing activities was primarily attributable to lower usage of the Company's credit facilities in 2013 as compared to 2012.

Credit Agreements

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

On August 1, 2014, the Company’s U.K. subsidiary (“U.K. Borrower”) entered into a receivables finance agreement for an asset-based lending funding facility (the “Lloyds Agreement”) with Lloyds Bank PLC and Lloyds Bank Commercial Finance Limited (together, “Lloyds”). The Lloyds Agreement provides the U.K. Borrower with the ability to borrow up to $23.4 million (£15.0 million). Extensions of credit are based on a percentage of the eligible accounts receivable less required reserves from the Company's U.K. operations. The initial term is two years with renewal periods every three months thereafter. Borrowings under this facility are secured by substantially all of the assets of the U.K. Borrower.

The credit facility under the Lloyds Agreement contains two tranches. The first tranche is a revolving facility based on the billed temporary contracting and permanent recruitment activities in the U.K. operation ("Lloyds Tranche A"). The borrowing limit of Lloyds Tranche A is $18.7 million (£12.0 million) based on 83% of eligible billed temporary contracting and permanent recruitment receivables. The second tranche is a revolving facility that is based on the unbilled work-in-progress (as defined under the receivables finance agreement) activities in the Company's U.K. operations ("Lloyds Tranche B"). The borrowing limit of Lloyds Tranche B is $4.7 million (£3.0 million) based on 75% of eligible work-in-progress from temporary contracting and 25% of eligible work-in-progress from permanent recruitment activities. For both tranches, borrowings may be made with an interest rate based on a base rate as determined by Lloyds Bank PLC, based on the Bank of England base rate, plus 1.75%.

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 $3.1 million (£2.0 million).
The details of the Lloyds Agreement as of December 31, 2014 were as follows:

(In millions)	December 31, 2014	
Borrowing capacity	$9.5	
Less: outstanding borrowing	—	
Additional borrowing availability	$9.5	
Interest rates on outstanding borrowing	2.25	%

The Company was in compliance with all financial covenants under the Lloyds Agreement as of December 31, 2014.

Loan and Security Agreement with Siena Lending Group LLC

On August 1, 2014, the Company and its U.S. subsidiary (“U.S. Borrower”) entered into a loan and security agreement for a credit facility (the “Siena Agreement”) with Siena Lending Group LLC ("Siena"). The Siena Agreement provides the U.S. Borrower with the ability to borrow up to $10.0 million (subject to a borrowing base and an availability block), including up to $1.0 million for the issuance of letters of credit. After the sale of the Company’s Legal eDiscovery business on November 9, 2014, the aforementioned borrowing limit was reduced to $5.0 million (subject to a borrowing base and an availability block). The availability block was $2.0 million prior to the sale of the Company's Legal eDiscovery business and decreased to $1.0 million after the sale of the Company’s Legal eDiscovery business. The availability block will be eliminated on the date on which the U.S. Borrower notifies Siena that the U.S. Borrower’s Fixed Charge Coverage Ratio is equal to or greater than 1.1x on a trailing six month basis. Extensions of credit are based on borrowing base calculated on a percentage of the eligible accounts receivable less required reserves related to the U.S. operations. The term of the Siena Agreement is three years expiring on August 1, 2017. Borrowings may be made with an interest rate based on a base rate (with a floor of 3.25%) plus 1.75%. The interest rate for letters of credit is 4.5% on face amount of each letter of credit issued and outstanding. Borrowings under the

Siena Agreement are secured by substantially all of the assets of the U.S. Borrower.

The Siena Agreement contains various restrictions and covenants including (1) a requirement that the U.S. Borrower maintain a Fixed Charge Coverage Ratio of equal to or greater than 1.1x after the date on which the U.S. Borrower notifies Siena that the U.S. Borrower's Fixed Charge Coverage Ratio is equal to or greater than 1.1x on a trailing six month basis ; (2) a limit on the payment of dividends by the U.S. Borrower; (3) restrictions on the ability of the U.S. Borrower to incur additional debt, acquire, merge or otherwise change the ownership of the U.S. Borrower; (4) restrictions on investments and acquisitions; and (5) restrictions on dispositions of assets.
The details of the Siena Agreement as of December 31, 2014 were as follows:

(In millions)	December 31, 2014	
Borrowing base	$2.9	
Less: adjustments to the borrowing base		
Minimum availability	(1.0	)
Outstanding letters of credits	(0.5	)
Adjusted borrowing base	1.4	
Less: outstanding borrowing	—	
Additional borrowing availability	$1.4	
Interest rates on outstanding borrowing	5.00	%

The Company was in compliance with all financial covenants under the Siena Agreement as of December 31, 2014.

Credit Agreement with Westpac Banking Corporation

On November 29, 2011, certain Australian and New Zealand subsidiaries of the Company entered into a facility agreement with Westpac Banking Corporation and Westpac New Zealand Limited (collectively, "Westpac"). On September 30, 2013, the Company and certain of its Australian and New Zealand subsidiaries entered into a waiver letter to waive compliance with a financial covenant contained in the facility agreement at the September 30, 2013 and December 31, 2013 testing dates, and on December 19, 2013, the Company and certain of its Australian and New Zealand subsidiaries entered into a Deed of Variation to the facility agreement to amend certain terms and conditions of the Facility Agreement. On December 2, 2014, the Company and certain Australian and New Zealand subsidiaries entered into a Third Deed of Variation to amend certain terms and conditions of the facility agreement (as amended, the "Facility Agreement").
The Facility Agreement provides three tranches: (a) an invoice discounting facility of up to $8.2 million (AUD10.0 million) ("Tranche A") for an Australian subsidiary of the Company, which is based on an agreed percentage of eligible accounts receivable; (b) an overdraft facility of up to $1.6 million (NZD2.0 million) ("Tranche B") for a New Zealand subsidiary of the Company; and (c) a financial guarantee facility of up to $4.1 million (AUD5.0 million) ("Tranche C") for the Australian subsidiary.
The Facility Agreement does not have a stated maturity date and can be terminated by Westpac upon 90 days written notice. Borrowings under Tranche A may be made with an interest rate based on the Invoice Finance 30-day Bank Bill Rate (as defined in the Facility Agreement) plus a margin of 1.10%. Borrowings under Tranche B may be made with an interest rate based on the Commercial Lending Rate (as defined in the Facility Agreement) plus a margin of 1.83%. Each of Tranche A and Tranche B bears a fee, payable monthly, equal to 1.50% and 0.96%, respectively, of the size of Westpac's commitment under such tranche. Borrowings under Tranche C may be made incurring a fee equal to 2.10% of the face value of the financial guarantee requested. Amounts owing under the Facility Agreement are secured by substantially all of the assets of the Australian subsidiary, its Australian parent company and the New Zealand subsidiary (collectively, the "Obligors") and certain of their subsidiaries.

The details of the Facility Agreement as of December 31, 2014 were as follows:

(In millions)	December 31, 2014	
Tranche A:		
Borrowing capacity	$8.2	
Less: outstanding borrowing	—	
Additional borrowing availability	$8.2	
Interest rates on outstanding borrowing	4.78	%
Tranche B:		
Borrowing capacity	$1.6	
Less: outstanding borrowing	—	
Additional borrowing availability	$1.6	
Interest rates on outstanding borrowing	8.28	%
Tranche C:		
Borrowing capacity	$4.1	
Less: outstanding borrowing	(2.5	)
Additional borrowing availability	$1.6	
Interest rates on outstanding borrowing	2.10	%

The Facility Agreement contains various restrictions and covenants applicable to the Obligors and certain of their subsidiaries, including (a) a requirement that the Obligors maintain (1) not less than the higher of 85% of the Tangible Net Worth (as defined in the Facility Agreement) of the last day of the previous calendar quarter and $14.3 million (AUD17.5 million); (2) a minimum Fixed Charge Coverage Ratio (as defined in the Facility Agreement) of 1.5x at all other testing dates thereafter; and (3) a maximum Borrowing Base Ratio (as defined in the Facility Agreement) as of the last day of each calendar quarter of not more than 0.8; and (b) a limitation on certain intercompany payments with permitted payments outside the Obligor group restricted to a defined amount derived from the net profits of the Obligors and their subsidiaries.

The Company was in compliance with all financial covenants under the Facility Agreement as of December 31, 2014.

Other Credit Agreements

The Company also has lending arrangements with local banks through its subsidiaries in the Netherlands, Belgium, and Singapore. As of December 31, 2014, the Netherlands subsidiary could borrow up to $1.8 million (€1.5 million) based on an agreed percentage of accounts receivable related to its operations. The Belgium subsidiary had a $1.2 million (€1 million) overdraft facility as of December 31, 2014. Borrowings under the Belgium and the Netherlands lending arrangements may be made with an interest rate based on the one month EURIBOR plus a margin, and were 2.52% as of December 31, 2014. The lending arrangement in the Netherlands expires annually each June, but can be renewed for one year periods at that time. The lending arrangement in Belgium has no expiration date and can be terminated with a 15 day notice period. In Singapore, the Company’s subsidiary can borrow up to $0.4 million (SGD0.5 million) for working capital purposes. Interest on borrowings under this overdraft facility is based on the Singapore Prime Rate plus 1.75%, which was 6.00% on December 31, 2014. The Singapore overdraft facility expires annually each August but can be renewed for one year periods at that time. The outstanding borrowings under the Netherlands, Belgium, and Singapore lending agreements were none as of December 31, 2014.

The average monthly outstanding borrowings for the credit agreements above was $4.6 million for the year ended December 31, 2014. The weighted average interest rate on all outstanding borrowings for the year ended December 31, 2014 was 3.95%.

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

Liquidity Outlook

As of December 31, 2014, the Company had cash and cash equivalents on hand of $34.0 million supplemented by additional borrowing availability of $1.4 million under the Siena Agreement and $22.6 million of additional borrowing availability under the Lloyds Agreement, the Facility Agreement and other lending arrangements in Belgium, the Netherlands 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 December 31, 2014. The Company's near-term cash requirements during 2015 are primarily related to funding operations, restructuring actions and capital expenditures. For 2015, the Company expects to make capital expenditures of approximately $3.0 million to $4.0 million and payments in connection with current restructuring actions of approximately $5.0 million to $6.0 million. The Company is closely managing its capital spending and will perform capital additions where economically prudent, while continuing to invest strategically for future growth.

As of December 31, 2014, $8.1 million of the Company's cash and cash equivalents noted above was held in the United States and the remainder was held internationally, primarily in Australia ($8.1 million), the United Kingdom ($7.3 million), Mainland China ($2.5 million), Belgium ($1.9 million) and the Netherlands ($1.7 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 United States, except where the Company is able to repatriate these earnings to the United States without a material incremental tax provision. In managing its day-to-day liquidity and its capital structure, the Company does not rely on the unrepatriated earnings as a source of funds. The Company has not provided for U.S. Federal income or foreign withholding taxes on these undistributed foreign earnings because a distribution of these foreign earnings with material incremental tax provision is unlikely to occur in the foreseeable future. It is not practicable to determine the amount of tax associated with such undistributed earnings.

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

Off-Balance Sheet Arrangements.

As of December 31, 2014, the Company had no off-balance sheet arrangements.

Contractual Obligations.

The Company has entered into various commitments that will affect its cash generation capabilities going forward. Specifically, it has entered into a number of non-cancelable operating leases for facilities and equipment worldwide. Future contractual obligations as of December 31, 2014 were as follows (dollars in thousands) (commitments based in currencies other than U.S. dollars were translated using exchange rates as of December 31, 2014):

Contractual Obligation	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years	Total
Operating lease obligations	$19,221	$28,369	$18,434	$6,211	$72,235
Capital lease obligations	77	348	—	—	425
Other purchase obligations	2,123	1,042	—	—	3,165
Other long term liabilities (a)					

Reorganization expenses	5,246	595	—	—	5,841
Total	$26,667	$30,354	$18,434	$6,211	$81,666

a. The Company's non-current liabilities of $12.4 million in the Consolidated Balance Sheet as of December 31, 2014 are primarily comprised of income taxes, unrecognized tax benefits, deferred rent, and other various accruals. As the timing and/or amounts of any cash payment is uncertain, the related amounts have not been reflected in the table above. Reorganization expenses above included both continuing operations and discontinued operations initiatives.

Contingencies

From time to time in the ordinary course of business, the Company is subject to compliance audits by U.S. Federal, state and 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, 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 conditions 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. In the last twelve months, the Company has seen an increase in employee disputes arising from our business reorganization initiatives. 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. The Company is unable to determine if the recent rise in claims represents a trend.

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 $0.4 million and $0.7 million as of December 31, 2014 and 2013, 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.

Critical Accounting Policies

Our discussion and analysis of our financial condition and results of operations are based upon our Consolidated Financial Statements, which have been prepared in accordance with GAAP. The preparation of financial statements in accordance with GAAP requires our management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities. GAAP provides the framework from which to make these estimates, assumptions and disclosures. We choose accounting policies within GAAP that our management believes are appropriate to accurately and fairly report our operating results and financial position in a consistent manner. Our management regularly assesses these policies in light of current and forecasted economic conditions. Our accounting policies are stated in Note 2 to our Consolidated Financial Statements included in Item 8. We believe the following accounting policies are critical to understanding our results of operations and affect the more significant judgments and estimates used in the preparation of our Consolidated Financial Statements that are inherently uncertain:

Revenue Recognition

The Company recognizes revenue for temporary services at the time services are provided and revenue is recorded on a time and materials basis. Temporary contracting revenue is reported on a gross basis when the Company acts as the principal in the transaction and is at risk for collection in accordance with ASC 605-45, "Overall Considerations of Reporting Revenue Gross as a Principal versus Net as an Agent." The Company's revenues are derived from its gross billings, which are based on (i) the payroll cost of its worksite employees; and (ii) a markup computed as a percentage of the payroll cost.

The Company recognizes revenue for permanent placements based on the nature of the fee arrangement. Revenue generated when the Company permanently places an individual with a client on a contingent basis is recorded at the time of acceptance of employment, net of an allowance for estimated fee reversals. Revenue generated when the Company permanently places an individual with a client on a retained basis is recorded ratably over the period services are rendered, net of an allowance for estimated fee reversals.

ASC 605-45-50-3 and ASC 605-45-50-4, “Taxes Collected from Customers and Remitted to Governmental Authorities,”
provide that the presentation of taxes on either a gross basis (included in revenue and expense) or net basis (excluded from revenue) is an accounting policy decision. The Company collects various taxes assessed by governmental authorities and records these amounts on a net basis.

Accounts Receivable

The Company's accounts receivable balances are composed of trade and unbilled receivables. The Company maintains an allowance for doubtful accounts and makes ongoing estimates as to the collectability of the various receivables. If the Company determines that the allowance for doubtful accounts is not adequate to cover estimated losses, an expense to provide for doubtful accounts is recorded in selling, general and administrative expenses. If an account is determined to be uncollectible, it is written off against the allowance for doubtful accounts. Management's assessment and judgment are vital requirements in assessing the ultimate realization of these receivables, including the current credit-worthiness, financial stability and effect of market conditions on each customer.

Income Taxes

We account for income taxes using the asset and liability method in accordance with ASC 740, “Income Taxes.” This standard establishes financial accounting and reporting standards for the effects of income taxes that result from an enterprise's activities. It requires an asset and liability approach for financial accounting and reporting of income taxes.

The calculation of net deferred tax assets assumes sufficient future earnings for the realization of such assets as well as the continued application of currently anticipated tax rates. Included in net deferred tax assets is a valuation allowance for deferred tax assets where management believes it is more likely than not that the deferred tax assets will not be realized in the relevant jurisdiction. If we determine that a deferred tax asset will not be realizable, an adjustment to the deferred tax asset will result in a reduction of earnings at that time. See Note 6 to the Consolidated Financial Statements for further information regarding deferred tax assets and valuation allowance.

ASC 740-10-55-3, “Recognition and Measurement of Tax Positions - a Two Step Process,” provides implementation guidance related to the accounting for uncertainty in income taxes recognized in an enterprise's financial statements and prescribes a two-step evaluation process for a tax position taken or expected to be taken in a tax return. The first step is recognition and the second is measurement. ASC 740 also provides guidance on derecognition, measurement, classification, disclosures, transition and accounting for interim periods. In addition, ASC 740-10-25-9 provides guidance on how to determine whether a tax position is effectively settled for the purpose of recognizing previously unrecognized tax benefits.

The Company's unrecognized tax benefits, if recognized in the future, would affect the annual effective income tax rate. See Note 6 to the Consolidated Financial Statements for further information regarding unrecognized tax benefits. We elected to continue our historical practice of classifying applicable interest and penalties as a component of the provision for income taxes.

We provide tax reserves for Federal, state, local and international exposures relating to periods subject to audit. The development of reserves for these exposures requires judgments about tax issues, potential outcomes and timing, and is a subjective critical estimate. We assess our tax positions and record tax benefits for all years subject to examination based upon management's evaluation of the facts, circumstances and information available at the reporting dates. For those tax positions where it is more likely than not that a tax benefit will be sustained, we have recorded the largest amount of tax benefit with greater than 50% likelihood of being realized upon settlement with a tax authority that has full knowledge of all relevant information. For those tax positions where it is not more likely than not that a tax benefit will be sustained, no tax benefit has been recognized in the Consolidated Financial Statements. Where applicable, associated interest and penalties have also been recognized. Although the outcome relating to these exposures are uncertain, we believe that our reserves reflect the probable outcome of known tax contingencies. In certain circumstances, the ultimate outcome of exposures and risks involves significant uncertainties which render them inestimable. If actual outcomes differ materially from these estimates, including those that cannot be quantified, they could have a material impact on our results of operations.

Unrepatriated cumulative earnings of certain foreign subsidiaries are considered to be invested indefinitely outside of the United States, except where the Company is able to repatriate these earnings to the United States without a material incremental tax provision. The Company has not provided for Federal income or foreign withholding taxes on these undistributed foreign earnings because a distribution of these foreign earnings with a 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.

Long-lived Assets

The Company evaluates the recoverability of the carrying value of its long-lived assets, excluding goodwill, whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Under such circumstances, the Company assesses whether the projected un-discounted cash flows of its businesses are sufficient to recover the existing unamortized cost of its long-lived assets. If the un-discounted projected cash flows are not sufficient, the Company calculates the impairment amount by discounting the cash flows using its weighted average cost of capital. The amount of the impairment is written-off against earnings in the period in which the impairment has been determined in accordance with ASC 360-10-35, “Impairment or Disposal of Long-Lived Assets.”

Goodwill

Under ASC 350-20-35, “Intangibles-Goodwill and Other, Goodwill Subsequent Measurement," the Company is required to test goodwill and indefinite-lived intangible assets for impairment on an annual basis as of October 1, or more frequently if circumstances indicate that its carrying value might exceed its current fair value.

ASC 350-20-35 requires a two-step process to identify potential goodwill impairment and to measure the amount of the impairment loss to be recognized, if applicable. The first step of the goodwill impairment test, used to identify potential impairment, compares the fair value of a reporting unit with its carrying amount, including goodwill. If the fair value of a reporting unit exceeds its carrying amount, then goodwill of the reporting unit is not considered impaired and the second step of the impairment test is unnecessary. In contrast, if the carrying amount of a reporting unit exceeds its fair value, the second step of the goodwill impairment test shall be performed to measure the amount of impairment loss, if any.

Step two of the impairment test, if necessary, consists of determining the implied fair value of each reporting unit’s goodwill. In calculating the implied fair value of goodwill, the fair values of the reporting units are allocated to all of the other assets and liabilities of the reporting units based on their fair values. The excess of the fair value of each reporting unit over the amounts assigned to its other assets and liabilities is equal to the implied fair value of its goodwill. The goodwill impairment is measured as the excess of the carrying amount of goodwill over its implied fair value.

To estimate the fair value of a reporting unit, the Company utilizes the income approach, a valuation technique which indicates the fair value of the invested capital of a reporting unit based on the value of the cash flows that it is expected to generate in the future. The discounted cash flow method, an application of the income approach, estimates the future cash flows of the reporting unit and discounts these cash flows to their present value equivalents at a rate of return that considers the relative risk of achieving the cash flows and the time value of money. These cash flows indicate the fair value of the invested capital of the reporting unit on a marketable, controlling basis.

Determining the fair value of a reporting unit is judgmental in nature and involves the use of significant estimates and assumptions. These estimates and assumptions include revenue growth rates, operating margins, corporate overhead allocations, cash flow adjustments related to capital expenditures, and working capital investments and risk-adjusted discount rates used to calculate the present value of the projected future cash flows. We base our fair value estimates on assumptions we believe to be reasonable.

Stock-Based Compensation

The Company applies the fair value recognition provisions of ASC 718, "Compensation - Stock Compensation." The Company determines the fair value as of the grant date. Determining the appropriate fair value model and calculating the fair value of stock compensation awards requires the input of certain complex and subjective assumptions, including the expected life of the stock compensation award and the Company’s Common Stock price volatility. In addition, determining the appropriate amount of associated periodic expense requires management to estimate the rate of employee forfeitures and the likelihood of achievement of certain performance targets. The assumptions used in calculating the fair value of stock compensation awards and the associated periodic expense represent management's best estimates, but these estimates involve inherent uncertainties and the application of judgment. As a result, if factors change and the Company deems it necessary in the future to modify the assumptions it made or to use different assumptions, or if the quantity and nature of the Company's stock-based compensation awards changes, then the amount of expense may need to be adjusted and future stock compensation expense could be materially different from what has been recorded in the current period.

For awards with graded vesting conditions, the values of the awards are determined by valuing each tranche separately and expensing each tranche over the required service period. The service period is the period over which the related service is performed, which is generally the same as the vesting period. The Company records stock-based compensation expense net of estimated forfeitures. The Company estimates its forfeiture rate based on historical data such as stock option exercise activities and employee termination patterns. The Company analyzed its historical forfeiture rate, the remaining lives of unvested awards and the amount of vested awards as a percentage of total awards outstanding. If the Company's actual forfeiture rate is materially different from its estimate, or if the Company reevaluates the forfeiture rate in the future, the stock-based compensation expense could be significantly different from what was recorded in the current periods.

Recent Accounting Pronouncements

In August 2014, the FASB issued Accounting Standards Update ("ASU") No. 2014-15, "Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern" ("ASU 2014-15"), to provide guidance on management's responsibility to evaluate whether there is substantial doubt about a company's ability to continue as a going concern within one year after the date that the financial statements are issued. ASU 2014-15 also provides guidance for related footnote disclosures. ASU 2014-15 is effective for the Company beginning on January 1, 2016 with early adoption permitted. The Company does not believe the impact of its pending adoption of ASU 2014-15 on the Company's consolidated financial statements will be material.

In June 2014, the FASB issued ASU No. 2014-12, "Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period" ("ASU 2014-12"). ASU 2014-12 requires that a performance target that affects vesting and could be achieved after the requisite service period be treated as a performance condition. A reporting entity should apply existing guidance in ASC 718, "Compensation - Stock Compensation," as it relates to such awards. ASU 2014-12 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2015 with early adoption permitted using either of two methods: (i) prospective to all awards granted or modified after the effective date or (ii) retrospective to all awards with performance targets that are outstanding as of the beginning of the earliest annual period presented in the financial statements and to all new or modified awards thereafter, with the cumulative effect of applying ASU 2014-12 as an adjustment to the opening retained earnings balance as of the beginning of the earliest annual period presented in the financial statements. Accordingly, the standard is effective for the Company beginning on January 1, 2016. The Company does not believe the impact of its pending adoption of ASU 2014-12 on the Company's consolidated financial statements will be material.

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)" ("ASU 2014-09"). ASU 2014-09 is a comprehensive new revenue recognition model that requires revenue to be recognized in a manner to depict the transfer of goods or services to a customer at an amount that reflects the consideration expected to be received in exchange for those goods or services. ASU 2014-09 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2016, and early adoption is not permitted. Accordingly, ASU 2014-09 is effective for the Company beginning on January 1, 2017. The Company is currently evaluating the impact that adopting ASU 2014-09 will have on the Company's financial condition, results of operations, and disclosures.

In April 2014, the FASB issued ASU No. 2014-08, "Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity" ("ASU 2014-08"). ASU No. 2014-08 raises the threshold for a disposal to qualify as a discontinued operation and requires new disclosures of both discontinued operations and certain other disposals that do not meet the definition of a discontinued operation. ASU 2014-08 is effective for fiscal years, and interim periods within those years, beginning on or after December 15, 2014. Accordingly, the standard was effective for the Company beginning on January 1, 2015. The Company is currently reviewing the requirements of ASU 2014-08, which will only impact the Company's financial statements upon the occurrence of a future disposal transaction within its scope.

There have been no other new accounting pronouncements not yet effective that have significance, or potential significance, to the Company's Consolidated Financial Statements.

FORWARD-LOOKING STATEMENTS

This Form 10-K 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-K, 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 wo and expressions are intended to identify forward-looking statements. All forward-looking statements are subject to important factors, risks, uncertainties and assumptions, including industry and economic conditions that could cause actual results to differ materially from those described in the forward-looking statements. Such factors, risks, uncertainties and assumptions include, but are not limited to, (1) global economic fluctuations, (2) the Company's ability to successfully execute its strategic initiatives, (3) risks related to fluctuations in the Company’s operating results from quarter to quarter, (4) the ability of clients to terminate their relationship with the Company at any time, (5) competition in the Company’s markets, (6) the negative cash flows and operating losses that the Company has experienced in recent periods and may experience from time to time in the future, (7) restrictions on the Company’s operating flexibility due to the terms of its credit facilities, (8) risks associated with the Company’s investment strategy, (9) risks related to international operations, including foreign currency fluctuations, (10) the Company’s dependence on key management personnel, (11) the Company’s ability to attract and retain highly-skilled professionals, (12) the Company’s ability to collect its accounts receivable, (13) the Company’s ability to achieve anticipated cost savings through the Company’s cost reduction initiatives, (14) the Company’s heavy reliance on information systems and the impact of potentially losing or failing to develop technology, (15) risks related to providing uninterrupted service to clients, (16) the Company’s exposure to employment-related claims from clients, employers and regulatory authorities and limits on related insurance coverage, (17) the Company’s ability to utilize net operating loss carry-forwards, (18) volatility of the Company’s stock price, (19) the impact of government regulations, and (20) risks related to activist stockholders. These forward-looking statements speak only as of the date of this Form 10-K. The Company assumes no obligation, and expressly disclaims any obligation, to update any forward-looking statements, whether as a result of new information, future events or otherwise.

ITEM 7A. 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 year ended December 31, 2014, the Company earned approximately 91% of its gross margin outside the United States (“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 Consolidated Balance Sheets. The translation of the foreign currency into U.S. dollars is reflected as a component of stockholders’ equity and does not impact our reported net income.

As more fully described in Item 7 “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” the Company has credit agreements with Lloyds, Siena, Westpac Banking Corporation and other credit agreements with lenders in the Netherlands, 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 our annual average borrowings, a 1% increase or decrease in interest rates on our borrowings would not have a material impact on our earnings.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTAL DATA

Management's Annual Report on Internal Control Over Financial Reporting

The management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15(d)-15 (f) of the Securities Exchange Act of 1934. The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Company's management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2014 using the criteria set forth in Internal Control-Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, the Company's management believes that, as of December 31, 2014, the Company's internal control over financial reporting was effective based on those criteria.

The Company's independent registered public accounting firm, KPMG LLP, has issued a report on the effectiveness of the Company's internal control over financial reporting. That report is set forth immediately following the report of KPMG LLP on the financial statements included herein.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Hudson Global, Inc.:

We have audited the accompanying consolidated balance sheets of Hudson Global, Inc. and subsidiaries (Hudson Global, Inc.) as of December 31, 2014 and 2013, and the related consolidated statements of operations and other comprehensive income (loss), changes in stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2014. In connection with our audit of the consolidated financial statements, we also have audited the financial statement schedules included in Item 15 of Form 10-K. These consolidated financial statements and the financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and the financial statement schedules based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Hudson Global, Inc. as of December 31, 2014 and 2013, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2014, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Hudson Global, Inc.'s internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control - Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 26, 2015 expressed an unqualified opinion on the effective operation of internal control over financial reporting.

/s/ KPMG LLP
New York, New York
February 26, 2015

Report of Independent Registered Public Accounting Firm
The Board of Directors and Stockholders
Hudson Global, Inc.:
We have audited Hudson Global Inc.'s and subsidiaries (Hudson Global, Inc.) internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control - Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Hudson Global, Inc.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying “Management's Annual Report on Internal Control Over Financial Reporting”. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Hudson Global, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control - Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Hudson Global, Inc. as of December 31, 2014 and 2013, and the related consolidated statements of operations and other comprehensive income (loss), changes in stockholders' equity and cash flows for each of the years in the three-year period ended December 31, 2014, and our report dated February 26, 2015 expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP
New York, New York
February 26, 2015

HUDSON GLOBAL, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
AND OTHER COMPREHENSIVE INCOME (LOSS)
(in thousands, except per share amounts)

	Year Ended December 31,		
	2014	2013	2012
Revenue	$581,192	$562,572	$655,875
Direct costs	358,347	353,143	398,082
Gross margin	222,845	209,429	257,793
Operating expenses:			
Salaries and related	176,718	169,923	193,906
Office and general	48,131	49,238	54,617
Marketing and promotion	5,472	4,722	5,876
Depreciation and amortization	5,559	5,922	5,982
Business reorganization expenses	3,789	5,440	7,506
Impairment of long-lived assets	662	1,336	—
Total operating expenses	240,331	236,581	267,887
Operating income (loss)	(17,486)	(27,152)	(10,094)
Non-operating income (expense):			
Interest income (expense), net	(661)	(554)	(561)
Other income (expense), net	202	759	324
Income (loss) from continuing operations before provision for income taxes	(17,945)	(26,947)	(10,331)
Provision for (benefit from) income taxes from continuing operations	(2,159)	3,264	(3,109)
Income (loss) from continuing operations	$(15,786)	$(30,211)	$(7,222)
Income (loss) from discontinued operations, net of income taxes	2,592	(184)	1,887
Net income (loss)	(13,194)	(30,395)	(5,335)
Earnings (loss) per share:			
Basic and diluted			
Income (loss) from continuing operations	$(0.48)	$(0.93)	$(0.22)
Income (loss) from discontinued operations	$0.08	$(0.01)	$0.05
Net income (loss)	$(0.40)	$(0.94)	$(0.17)
Weighted-average shares outstanding:			
Basic and diluted	32,843	32,493	32,600
Comprehensive income (loss):			
Net income (loss)	$(13,194)	$(30,395)	$(5,335)
Other comprehensive income (loss):			
Foreign currency translation adjustment, net of income taxes	(3,718)	(3,623)	2,169
Defined benefit pension plans - unrecognized net actuarial gain (loss) and prior service costs (credit), net of income taxes	158	260	(290)
Total other comprehensive income (loss), net of income taxes	(3,560)	(3,363)	1,879
Comprehensive income (loss)	$(16,754)	$(33,758)	$(3,456)

See accompanying notes to consolidated financial statements.

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

	December 31, 2014	2013
ASSETS		
Current assets:		
Cash and cash equivalents	$33,989	$37,378
Accounts receivable, less allowance for doubtful accounts of $986 and $1,041, respectively	74,079	76,467
Prepaid and other	9,604	7,960
Current assets of discontinued operations	1,249	12,518
Total current assets	118,921	134,323
Property and equipment, net	9,840	11,989
Deferred tax assets, non-current	5,648	7,124
Other assets	5,263	5,393
Total assets	$139,672	$158,829
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$6,371	$8,899
Accrued expenses and other current liabilities	54,065	51,917
Short-term borrowings	—	476
Accrued business reorganization expenses	3,169	3,275
Current liabilities of discontinued operations	3,512	5,251
Total current liabilities	67,117	69,818
Deferred rent and tenant improvement contributions	5,899	5,333
Income tax payable, non-current	2,397	3,872
Other non-current liabilities	5,002	5,421
Total liabilities	80,415	84,444
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 33,671 and 33,543 shares, respectively	34	34
Additional paid-in capital	476,689	475,461
Accumulated deficit	(430,616)	(417,422)
Accumulated other comprehensive income	13,613	17,173
Treasury stock, 129 and 211 shares, respectively, at cost	(463)	(861)
Total stockholders' equity	59,257	74,385
Total liabilities and stockholders' equity	$139,672	$158,829

See accompanying notes to consolidated financial statements.

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

	Year Ended December 31,		
	2014	2013	2012
Cash flows from operating activities:			
Net income (loss)	$(13,194)	$(30,395)	$(5,335)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	5,835	6,406	6,438
Impairment of long-lived assets	1,129	1,336	—
Provision for (recovery of) doubtful accounts	97	(13)	(149)
Provision for (benefit from) deferred income taxes	(102)	3,140	(310)
Stock-based compensation	1,325	2,090	2,574
Gains on sale of assets	(11,333)	—	(558)
Other, net	354	562	481
Changes in assets and liabilities, net of effect of dispositions:			
Decrease (increase) in accounts receivable	(7,117)	19,442	27,144
Decrease (increase) in prepaid and other assets	(1,731)	1,227	3,448
Increase (decrease) in accounts payable, accrued expenses and other liabilities	4,213	(2,100)	(22,452)
Increase (decrease) in accrued business reorganization expenses	2,684	818	1,878
Net cash provided by (used in) operating activities	(17,840)	2,513	13,159
Cash flows from investing activities:			
Capital expenditures	(5,346)	(2,557)	(8,647)
Proceeds from sale of assets, net of disposal costs	22,077	—	375
Net cash provided by (used in) investing activities	16,731	(2,557)	(8,272)
Cash flows from financing activities:			
Borrowings under credit agreements	133,030	17,314	74,534
Repayments under credit agreements	(133,194)	(16,856)	(77,765)
Repayment of capital lease obligations	(500)	(467)	(443)
Payments for deferred financing costs	(454)	—	—
Purchase of restricted stock from employees	(138)	(488)	(600)
Net cash provided by (used in) financing activities	(1,256)	(497)	(4,274)
Effect of exchange rates on cash and cash equivalents	(1,024)	(734)	738
Net increase (decrease) in cash and cash equivalents	(3,389)	(1,275)	1,351
Cash and cash equivalents, beginning of the period	37,378	38,653	37,302
Cash and cash equivalents, end of the period	$33,989	$37,378	$38,653
Supplemental disclosures of cash flow information:			
Cash payments during the period for interest	$442	$235	$333
Cash payments during the period for income taxes, net of refunds	$970	$1,047	$2,985

See accompanying notes to consolidated financial statements.

HUDSON GLOBAL, INC.
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
(in thousands)

	Common stock		Additional paid-in capital	Accumulated deficit	Accumulated other comprehensive income (loss)	Treasury stock	Total
	Shares	Value					
Balance at January 1, 2012	32,697	$33	$470,786	$(381,692)	$ 18,657	$(427)	$107,357
Net income (loss)	—	—	—	(5,335)	—	—	(5,335)
Other comprehensive income (loss), translation adjustments	—	—	—	—	2,169	—	2,169
Other comprehensive income (loss), pension liability adjustment	—	—	—	—	(290)	—	(290)
Purchase of restricted stock from employees	(124)	—	—	—	—	(600)	(600)
Issuance of shares for 401(k) plan contribution	124	—	12	—	—	654	666
Stock-based compensation	324	—	2,574	—	—	—	2,574
Balance at December 31, 2012	33,021	$33	$473,372	$(387,027)	$ 20,536	$(373)	$106,541
Net income (loss)	—	—	—	(30,395)	—	—	(30,395)
Other comprehensive income (loss), translation adjustments	—	—	—	—	(3,623)	—	(3,623)
Other comprehensive income (loss), translation adjustments	—	—					