

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

FORM 10-Q

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

For the quarterly period ended March 31, 2012

or

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

For the transition period from _____ to _____

Commission file number: 000-50129

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

DELAWARE
(State or other jurisdiction of
incorporation or organization)

59-3547281
(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)

HUDSON HIGHLAND GROUP, INC.
(Former name)

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

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

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>

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

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

Class	Outstanding on March 31, 2012
Common Stock - \$0.001 par value	33,249,192

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PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

	Three Months Ended March 31,	
	2012	2011
Revenue	\$ 200,590	\$ 218,539
Direct costs	127,382	137,341
Gross margin	73,208	81,198
Operating expenses:		
Selling, general and administrative expenses	74,465	78,808
Depreciation and amortization	1,505	1,576
Business reorganization expenses	940	351
Operating income (loss)	(3,702)	463
Non-operating income (expense):		
Interest income (expense), net	(161)	(206)
Other income (expense), net	(4)	487
Income (loss) before provision for income taxes	(3,867)	744
Provision for (benefit from) income taxes	(646)	750
Net income (loss)	\$ (3,221)	\$ (6)
Earnings (loss) per share:		
Basic	\$ (0.10)	\$ (0.00)
Diluted	\$ (0.10)	\$ (0.00)
Weighted-average shares outstanding:		
Basic	31,765	31,325
Diluted	31,765	31,325
Comprehensive income (loss):		
Net income (loss)	\$ (3,221)	\$ (6)
Other comprehensive income (loss):		
Foreign currency translation adjustment, net of income taxes	1,790	2,045
Total other comprehensive income (loss), net of income taxes	1,790	2,045
Comprehensive income (loss)	\$ (1,431)	\$ 2,039

See accompanying notes to condensed consolidated financial statements.

CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except per share amounts)
(Unaudited)

	March 31, 2012	December 31, 2011
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 24,930	\$ 37,302
Accounts receivable, less allowance for doubtful accounts of \$1,680 and \$1,772, respectively	132,567	131,489
Prepaid and other	13,850	13,132
Total current assets	171,347	181,923
Property and equipment, net	18,000	17,838
Deferred tax assets, non-current	10,408	8,628
Other assets	6,022	8,157
Total assets	<u>\$ 205,777</u>	<u>\$ 216,546</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 11,734	\$ 12,025
Accrued expenses and other current liabilities	70,698	74,248
Short-term borrowings	-	3,384
Accrued business reorganization expenses	759	858
Total current liabilities	83,191	90,515
Other non-current liabilities	10,593	10,867
Income tax payable, non-current	4,869	7,807
Total liabilities	98,653	109,189
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 33,283 and 32,776 shares, respectively	33	33
Additional paid-in capital	471,719	470,786
Accumulated deficit	(400,511)	(397,290)
Accumulated other comprehensive income—translation adjustments	36,045	34,255
Treasury stock, 34 and 79 shares, respectively, at cost	(162)	(427)
Total stockholders' equity	107,124	107,357
Total liabilities and stockholders' equity	<u>\$ 205,777</u>	<u>\$ 216,546</u>

See accompanying notes to condensed consolidated financial statements.

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

	Three Months Ended March 31,	
	2012	2011
Cash flows from operating activities:		
Net income (loss)	\$ (3,221)	\$ (6)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,505	1,576
Provision for (recovery of) doubtful accounts	3	213
Provision for (benefit from) deferred income taxes	(1,339)	(209)
Stock-based compensation	921	599
Other, net	117	(146)
Changes in assets and liabilities:		
Decrease (increase) in accounts receivable	1,327	(14,550)
Decrease (increase) in prepaid and other assets	1,441	(605)
Increase (decrease) in accounts payable, accrued expenses and other liabilities	(7,750)	3,349
Increase (decrease) in accrued business reorganization expenses	(241)	(338)
Net cash provided by (used in) operating activities	<u>(7,237)</u>	<u>(10,117)</u>
Cash flows from investing activities:		
Capital expenditures	(1,809)	(1,025)
Proceeds from sale of assets	-	247
Net cash provided by (used in) investing activities	<u>(1,809)</u>	<u>(778)</u>
Cash flows from financing activities:		
Borrowings under credit agreements	36,561	49,171
Repayments under credit agreements	(39,975)	(39,611)
Repayment of capital lease obligations	(118)	-
Purchase of restricted stock from employees	(389)	(267)
Net cash provided by (used in) financing activities	<u>(3,921)</u>	<u>9,293</u>
Effect of exchange rates on cash and cash equivalents	595	390
Net increase (decrease) in cash and cash equivalents	(12,372)	(1,212)
Cash and cash equivalents, beginning of the period	37,302	29,523
Cash and cash equivalents, end of the period	<u>\$ 24,930</u>	<u>\$ 28,311</u>
Supplemental disclosures of cash flow information:		
Cash paid during the period for interest	\$ 93	\$ 167
Cash payments during the period for income taxes, net of refunds	<u>\$ 816</u>	<u>\$ 1,129</u>

See accompanying notes to condensed consolidated financial statements.

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

	Common stock		Additional paid-in capital	Accumulated deficit	Accumulated other comprehensive income (loss)	Treasury stock	Total
	Shares	Value					
Balance at December 31, 2011	32,697	\$ 33	\$ 470,786	\$ (397,290)	\$ 34,255	\$ (427)	\$ 107,357
Net income (loss)	-	-	-	(3,221)	-	-	(3,221)
Other comprehensive income (loss), translation adjustments	-	-	-	-	1,790	-	1,790
Purchase of restricted stock from employees	(79)	-	-	-	-	(389)	(389)
Issuance of shares for 401(k) plan contribution	124	-	12	-	-	654	666
Stock-based compensation	507	-	921	-	-	-	921
Balance at March 31, 2012	<u>33,249</u>	<u>\$ 33</u>	<u>\$ 471,719</u>	<u>\$ (400,511)</u>	<u>\$ 36,045</u>	<u>\$ (162)</u>	<u>\$ 107,124</u>

See accompanying notes to condensed consolidated financial statements.

HUDSON GLOBAL, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except share and per share amounts)
(unaudited)

NOTE 1 – BASIS OF PRESENTATION

These interim unaudited condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”) for interim financial information and with the instructions to Form 10-Q and should be read in conjunction with the consolidated financial statements and related notes of Hudson Global, Inc. and its subsidiaries (the “Company”) filed in its Annual Report on Form 10-K for the year ended December 31, 2011.

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

Certain prior year amounts have been reclassified to conform to the current period presentation.

NOTE 2 – DESCRIPTION OF BUSINESS

The Company is comprised of the operations, assets and liabilities of the three Hudson regional businesses of Hudson Americas, Hudson Asia Pacific, and Hudson Europe (“Hudson regional businesses” or “Hudson”). The Company provides highly specialized professional-level recruitment and related talent solutions worldwide. The Company’s core service offerings include Permanent Recruitment, Contract Consulting, Legal eDiscovery, Recruitment Process Outsourcing (“RPO”) and Talent Management Solutions.

The Company has operated as an independent publicly-held company since April 1, 2003 when the eResourcing division of Monster Worldwide, Inc., formerly TMP Worldwide, Inc., composed of 67 acquisitions made between 1999 and 2001, was spun off. As of March 31, 2012, the Company had more than 2,000 employees operating in approximately 20 countries with three reportable geographic business segments: Hudson Americas, Hudson Asia Pacific, and Hudson Europe. For the three months ended March 31, 2012 and 2011, the amounts and percentages of the Company’s gross margins from the three reportable segments were as follows:

	For The Three Months Ended March 31, 2012		For The Three Months Ended March 31, 2011	
	Gross Margin (\$)	%	Gross Margin (\$)	%
Hudson Americas	\$ 11,831	16.16%	\$ 10,356	12.75%
Hudson Asia Pacific	29,313	40.04%	31,905	39.29%
Hudson Europe	32,064	43.80%	38,937	47.96%
Total	\$ 73,208	100.00%	\$ 81,198	100.00%

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

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

Contract Consulting: In Contract Consulting, 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.

Legal eDiscovery: Hudson’s Legal eDiscovery services are composed of eDiscovery solutions, managed document review (encompassing logistical deployment, project management, process design and productivity management), and contract attorney staffing. The most comprehensive of these is the Company’s full-service eDiscovery solution, providing an integrated system of discovery management and review technology deployment for both corporate and law firm clients.

HUDSON GLOBAL, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except share and per share amounts)
(unaudited)

NOTE 2 – DESCRIPTION OF BUSINESS (continued)

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

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

On April 26, 2012, at the annual meeting of Stockholders, the Company received stockholders' approved to change the Company's corporate name to "Hudson Global, Inc." from "Hudson Highland Group, Inc." The Company's name change became effective on April 26, 2012. The Company also changed its trading symbol on Nasdaq Stock Market to "HSON" from "HHGP," effective on April 30, 2012.

Reporting Segments

In the fourth quarter of 2011, the Company reorganized its leadership team to align the Company's operations with its business strategy to run its global operations in three regions. As a result, the Company revised its reportable segments by aggregating the segments of Hudson Australia New Zealand and Hudson Asia into one segment, Hudson Asia Pacific. The Company has reclassified information for the three months ended March 31, 2011 to reflect this change to the segment reporting in accordance with the requirements of Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 280-10-50-1 to 9 "Operating Segments" and ASC 280-10-50-10 "Reportable Segments." See Note 15 for further details.

Corporate expenses are reported separately from the three reportable segments and pertain to certain functions, such as executive management, corporate governance, human resources, accounting, tax and treasury. A portion of these expenses are attributed to the reportable segments for providing the above services to them and have been allocated to the segments as management service fees and are included in the segments' non-operating other income (expense).

NOTE 3 – RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In June 2011, the FASB issued Accounting Standards Update ("ASU") ASU 2011-05, "*Comprehensive Income (Topic 220): Presentation of Comprehensive Income*". This standard requires an entity to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. This standard does not change the items that must be reported in other comprehensive income, how such items are measured or when they must be reclassified to net income. Additionally, the standard does not affect the calculation or reporting of net income and earnings per share. In December 2011, the FASB issued ASU 2011-12 "*Comprehensive Income (Topic 220): Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05*". ASU 2011-12 deferred certain aspects of ASU 2011-05. Among the new provisions in ASU 2011-05 was a requirement for entities to present reclassification adjustments out of accumulated other comprehensive income by component in both the statement in which net income is presented and the other comprehensive income is presented. This requirement is indefinitely deferred by ASU 2011-12 and will be further deliberated by the FASB at a future date. The standard is effective for interim and annual periods beginning after December 15, 2011 and should be applied retrospectively. The Company adopted ASU 2011-05 as of January 1, 2012, and presented the components of other comprehensive income in a single continuous Condensed Consolidated Statement of Operations and Other Comprehensive Income (loss). The Company's adoption of ASU 2011-05 did not have any impact on the Company's results of operations or financial condition

HUDSON GLOBAL, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except share and per share amounts)
(unaudited)

NOTE 4 – REVENUE, DIRECT COSTS AND GROSS MARGIN

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

	For The Three Months Ended March 31, 2012			For The Three Months Ended March 31, 2011		
	Temporary Contracting	Other	Total	Temporary Contracting	Other	Total
Revenue	\$ 150,437	\$ 50,153	\$ 200,590	\$ 163,061	\$ 55,478	\$ 218,539
Direct costs (1)	124,071	3,311	127,382	134,155	3,186	137,341
Gross margin	<u>\$ 26,366</u>	<u>\$ 46,842</u>	<u>\$ 73,208</u>	<u>\$ 28,906</u>	<u>\$ 52,292</u>	<u>\$ 81,198</u>

- (1) Direct costs include the direct staffing costs of salaries, payroll taxes, employee benefits, travel expenses and insurance costs for the Company's contractors and reimbursed out-of-pocket expenses and other direct costs. Other than reimbursed out-of-pocket expenses, there are no other direct costs associated with the Other category, which includes the search, permanent recruitment and other human resource solutions' revenue. Gross margin represents revenue less direct costs. The region where services are provided, the mix of contracting and permanent recruitment, and the functional nature of the staffing services provided can affect gross margin. The salaries, commissions, payroll taxes and employee benefits related to recruitment professionals are included in selling, general and administrative expenses.

NOTE 5 – STOCK-BASED COMPENSATION

The Company accounts for stock-based compensation in accordance with ASC 718 "*Compensation – Stock Compensation*", as interpreted by the SEC Staff Accounting Bulletins No. 107 and No. 110. Under ASC 718, stock-based compensation is based on the fair value of the award on the date of grant, which is recognized over the related service period, net of estimated forfeitures. 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 uses the Black-Scholes option-pricing model to determine the compensation expense related to stock options.

Incentive Compensation Plan

The Company maintains the Hudson Global, Inc. 2009 Incentive Stock and Awards Plan (the "ISAP") pursuant to which it can issue equity-based compensation incentives to eligible participants. The ISAP permits the granting of stock options and restricted stock as well as other types of equity-based awards. The Compensation Committee of the Company's Board of Directors (the "Compensation Committee") will establish such conditions as it deems appropriate on the granting or vesting of stock options or restricted stock. While the Company historically granted both stock options and restricted stock to its employees, since 2008 the Company has granted primarily restricted stock to its employees.

The ISAP provides that an aggregate of 1,600,000 shares of the Company's common stock are reserved for issuance to participants. The Compensation Committee administers the ISAP and may designate any of the following as a participant under the ISAP: any officer or other employee of the Company or its affiliates or individuals engaged to become an officer or employee, consultants or other independent contractors who provide services to the Company or its affiliates and non-employee directors of the Company. As of March 31, 2012, there were no shares of the Company's common stock available for future issuance. On April 26, 2012, the Company's stockholders approved an amendment to the ISAP to, among other things, increase the number of shares of the Company's common stock that are reserved for issuance to participants by 2,500,000 shares.

The Company also maintains the Director Deferred Share Plan (the "Director Plan") pursuant to which it can issue restricted stock units to its non-employee directors. A restricted stock unit is equivalent to one share of the Company's common stock and is payable only in common stock issued under the ISAP upon a director ceasing service as a member of the Board of Directors of the Company.

HUDSON GLOBAL, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except share and per share amounts)
(unaudited)

NOTE 5 – STOCK-BASED COMPENSATION (continued)

For the three months ended March 31, 2012 and 2011, the Company's stock-based compensation expense related to stock options, restricted stock and restricted stock units were as follows:

	For The Three Months Ended March 31,	
	2012	2011
Stock options	\$ 245	\$ 82
Restricted stock	625	517
Restricted stock units	51	-
Total	<u>\$ 921</u>	<u>\$ 599</u>

Stock Options

Stock options granted under the ISAP generally expire ten years after the date of grant and have an exercise price of at least 100% of the fair market value of the underlying stock on the date of grant and generally vest ratably over a four year period.

As of March 31, 2011, the Company had approximately \$900 of unrecognized stock-based compensation expense related to outstanding non-vested stock options. The Company expects to recognize that cost over a weighted average service period of approximately 1.7 years .

Changes in the Company's stock options for the three months ended March 31, 2012 and 2011 were as follows:

	For The Three Months Ended March 31,			
	2012		2011	
	Number of Options Outstanding	Weighted Average Exercise Price per Share	Number of Options Outstanding	Weighted Average Exercise Price per Share
Options outstanding at January 1,	1,396,350	\$ 11.36	1,548,300	\$ 12.64
Expired	(10,750)	15.68	(8,625)	16.59
Options outstanding at March 31,	<u>1,385,600</u>	<u>11.33</u>	<u>1,539,675</u>	<u>12.62</u>
Options exercisable at March 31,	<u>973,100</u>	<u>\$ 13.94</u>	<u>1,057,425</u>	<u>\$ 12.73</u>

Restricted Stock

A summary of the quantity and vesting conditions for shares of restricted stock granted for the three months ended March 31, 2012 was as follows:

Vesting conditions	Number of Shares of Restricted Stock Granted
Performance and service conditions (1)	562,830
Vest 50% on each of the second and third anniversaries of the grant date with service conditions only	30,000
Vest one-third on each of the first three anniversaries of the grant date with service conditions only	15,000
Total shares of restricted stock granted for the three months ended March 31, 2012	<u>607,830</u>

HUDSON GLOBAL, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except share and per share amounts)
(unaudited)

NOTE 5 – STOCK-BASED COMPENSATION (continued)

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

- (a) 50% of the shares of restricted stock may be earned on the basis of performance as measured by a “Take-out Ratio,” defined as the percentage of the direct, front line costs incurred for the year ending December 31, 2012 divided by the gross margin for the year ending December 31, 2012;
- (b) 25% of the shares of restricted stock may be earned on the basis of performance as measured by an employee engagement score for the year ending December 31, 2012 based on an employee survey to be conducted by a global human resources consulting firm;
- (c) 25% of the shares of restricted stock may be earned on the basis of performance as measured by “Cash Efficiency,” defined as (1) cash flow from operations for the year ending December 31, 2012 divided by (2) gross margin minus selling, general and administrative expenses for the year ending December 31, 2012.

To the extent shares are earned on the basis of performance, such shares will vest on the basis of service as follows:

- (a) 33% of the shares vest on the later of the first anniversary of the grant date or the determination that the performance conditions have been satisfied;
- (b) 33% of the shares vest on the second anniversary of the grant date;
- (c) 34% of the shares vest on the third anniversary of the grant date; provided that, in each case, the named executive officer remains employed by the Company from the grant date through the applicable service vesting date.

As of March 31, 2012, the Company had approximately \$4,279 of unrecognized stock-based compensation expense related to outstanding non-vested restricted stock. The Company expects to recognize that cost over a weighted average service period of 1.8 years.

Changes in the Company’s restricted stock for the three months ended March 31, 2012 and 2011 were as follows:

	For The Three Months Ended March 31,			
	2012		2011	
	Number of Shares of Restricted Stock	Weighted Average Grant Date Fair Value	Number of Shares of Restricted Stock	Weighted Average Grant Date Fair Value
Non-vested restricted stock at January 1,	1,166,082	\$ 5.12	953,037	\$ 3.64
Granted	607,830	4.59	640,125	6.36
Vested	(366,299)	5.04	(216,189)	3.43
Forfeited	(100,347)	5.61	(69,819)	2.41
Non-vested restricted stock at March 31,	<u>1,307,266</u>	<u>\$ 4.86</u>	<u>1,307,154</u>	<u>\$ 5.07</u>

HUDSON GLOBAL, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except share and per share amounts)
(unaudited)

NOTE 5 – STOCK-BASED COMPENSATION (continued)

Restricted Stock Units

As of March 31, 2012, the Company had approximately \$336 of unrecognized stock-based compensation expense related to outstanding non-vested restricted stock units. The Company expects to recognize that cost over a weighted average service period of 2.0 years.

Changes in the Company's restricted stock units for the three months ended March 31, 2012 and 2011 were as follows:

	For The Three Months Ended March 31,			
	2012		2011	
	Number of Shares of Restricted Stock Unit	Weighted Average Grant-Date Fair Value	Number of Shares of Restricted Stock Unit	Weighted Average Grant-Date Fair Value
Non-vested restricted stock units at January 1,	100,000	\$ 5.18	-	\$ -
Granted	-	-	-	-
Vested	-	-	-	-
Non-vested restricted stock units at March 31,	<u>100,000</u>	<u>\$ 5.18</u>	<u>-</u>	<u>\$ -</u>

Defined Contribution Plan and Non-cash Employer-matching contributions

The Company maintains the Hudson Global, Inc. 401(k) Savings Plan (the "401(k) plan"). The 401(k) plan allows eligible employees to contribute up to 15% of their earnings to the 401(k) plan. The Company has the discretion to match employees' contributions up to 3% through a contribution of the Company's common stock. Vesting of the Company's contribution occurs over a five-year period. For the three months ended March 31, 2012 and 2011, the Company's expenses and contributions to satisfy the prior years' employer-matching liability for the 401(k) plan were as follows:

(in thousands, except otherwise stated)	For The Three Months Ended March 31,			
	2012		2011	
Expense recognized for the 401(k) plan	\$	193	\$	205
Contributions to satisfy prior years' employer-matching liability				
Number of shares of the Company's common stock issued		124,404		91,944
Market value per share of the Company's common stock on contribution date (in dollars)	\$	5.35	\$	6.55
Non-cash contribution made for employer matching liability	<u>\$</u>	<u>666</u>	<u>\$</u>	<u>602</u>

NOTE 6 – INCOME TAXES

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

Effective Tax Rate

The benefit from income taxes for the three months ended March 31, 2012 was \$646 on a pre-tax loss of \$3,867, compared with a provision for income taxes of \$750 on a pre-tax income of \$744 for the same period in 2011. The Company's effective income tax rate was 16.7% and 100.8% for the three months ended March 31, 2012 and 2011, respectively. The change in the rate was primarily attributable to the Company's ability to benefit losses in certain foreign jurisdictions in 2012 that it was previously unable to recognize and also to the lower charges related to uncertain tax positions.

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NOTE 6 – INCOME TAXES (continued)

Uncertain Tax Positions

As of March 31, 2012 and December 31, 2011, the Company had \$7,737 and \$7,807, respectively, of unrecognized tax benefits, including interest and penalties, which if recognized in the future, would lower the Company's annual effective income tax rate. Accrued interest and penalties were \$1,554 and \$1,644 as of March 31, 2012 and December 31, 2011, respectively. Estimated interest and penalties are classified as part of the provision for income taxes in the Company's Condensed Consolidated Statements of Operations and totaled to a benefit of \$97 and \$148 for the three months ended March 31, 2012 and 2011, respectively.

In many cases, the Company's unrecognized tax benefits are related to tax years that remain subject to examination by the relevant tax authorities. Tax years with net operating losses remain open until the losses expire or the statutes of limitations for those years when the losses are used expire. The open tax years are 2008 through 2011 for the U.S. Federal and 2005 through 2011 for most state and local jurisdictions, 2010 through 2011 for the U.K., 2007 through 2011 for Australia and 2005 through 2011 for most other jurisdictions. The Company is currently under income tax examination in the State of Pennsylvania (2004-2009), Illinois (2008-2009) and New Zealand (2009). The Company believes that its tax reserves are adequate for all years subject to examination.

Based on information available as of March 31, 2012, it is reasonably possible that the total amount of unrecognized tax benefits could decrease in a range of \$500 to \$4,300 within 12 months as a result of projected resolutions of global tax examinations and controversies and potential lapses of the applicable statutes of limitations.

NOTE 7 – EARNINGS (LOSS) PER SHARE

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

A reconciliation of the numerators and denominators of the basic and diluted earnings (loss) per share calculations were as follows:

	Three Months Ended March 31,	
	2012	2011
Earnings (loss) per share ("EPS"):		
Basic	\$ (0.10)	\$ (0.00)
Diluted	\$ (0.10)	\$ (0.00)
EPS numerator - basic and diluted:		
Net income (loss)	\$ (3,221)	\$ (6)
EPS denominator:		
Weighted-average common stock outstanding - basic	31,765,239	31,325,021
Common stock equivalents: stock options and other stock-based awards (a)	-	-
Weighted-average number of common stock outstanding - diluted	31,765,239	31,325,021

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NOTE 7 – EARNINGS (LOSS) PER SHARE (continued)

- (a) For the periods in which net losses are presented, the diluted weighted average number of shares of common stock outstanding did not differ from the basic weighted average number of shares of common stock outstanding because the effects of any potential common stock equivalents (see Note 5 for further details on outstanding stock options, non-vested restricted stock units and non-vested restricted stock) were anti-dilutive and therefore not included in the calculation of the denominator of dilutive earnings per share.

The weighted average number of shares outstanding used in the computation of diluted net income (loss) per share for the three months ended March 31, 2012 and 2011 did not include the effect of the following potentially outstanding shares of common stock because the effect would have been anti-dilutive:

	Three Months Ended March 31,	
	2012	2011
Unvested restricted stock	1,307,266	1,388,714
Unvested restricted stock units	100,000	-
Stock options	1,385,600	1,539,675
Total	2,792,866	2,928,389

NOTE 8 – RESTRICTED CASH

A summary of the Company's restricted cash included in the accompanying Condensed Consolidated Balance Sheets as of March 31, 2012 and December 31, 2011 were as follows:

	March 31, 2012	December 31, 2011
Included under the caption "Other assets":		
Collateral accounts	\$ 1,311	\$ 3,120
Rental deposits	277	268
Total amount under the caption "Other assets":	\$ 1,588	\$ 3,388
Included under the caption "Prepaid and other":		
Social tax payment reserves	\$ 1	\$ 3
Rental deposits	17	-
Client guarantees	121	133
Collateral accounts	122	117
Total amount under the caption "Prepaid and other"	\$ 261	\$ 253
Total restricted cash	\$ 1,849	\$ 3,641

Collateral accounts primarily included deposits held under a collateral trust agreement, which supports the Company's workers' compensation policy. The rental deposits with banks were held as guarantees for the rent on the Company's offices in the Netherlands and Spain. Social tax payment reserves were held with banks for employee social tax payments required by law in the Netherlands. The client guarantees were held in banks in Belgium as deposits for various client projects.

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NOTE 9 – PROPERTY AND EQUIPMENT, NET

As of March 31, 2012 and December 31, 2011, property and equipment, net were as follows:

	March 31, 2012	December 31, 2011
Computer equipment	\$ 13,260	\$ 13,666
Furniture and equipment	9,938	9,692
Capitalized software costs	32,660	30,920
Leasehold and building improvements	22,106	21,650
	<u>77,964</u>	<u>75,928</u>
Less: accumulated depreciation and amortization	59,964	58,090
Property and equipment, net	<u>\$ 18,000</u>	<u>\$ 17,838</u>

The Company had expenditures of approximately \$831 and \$1,137 for acquired property and equipment, mainly consisting of software development, fixtures, computer equipment and leasehold improvements, which had not been placed in service as of March 31, 2012 and December 31, 2011, respectively. Depreciation expense is not recorded for such assets until they are placed in service.

Non-Cash Capital Expenditures

The Company acquired certain computer equipment under capital lease agreements. The current portion of the capital lease obligations are included under the caption “Accrued expense and other current liabilities” in the Condensed Consolidated Balance Sheets and the non-current portion of the capital lease obligations are included under the caption “Other non-current liabilities” in the Condensed Consolidated Balance Sheets as of March 31, 2012 and December 31, 2011. A summary of the Company’s equipment acquired under capital lease agreements were as follows:

	March 31, 2012	December 31, 2011
Capital lease obligation, current	\$ 427	\$ 420
Capital lease obligation, non-current	\$ 610	\$ 720

The Company did not acquire any property and equipment under capital lease agreements for the three months ended March 31, 2012 and 2011.

NOTE 10 – GOODWILL

The following is a summary of the changes in the carrying value of the Company’s goodwill for the three months ended March 31, 2012 and 2011. The goodwill related to the earn-out payment made in 2010 for the Company’s 2007 acquisition of the businesses of Tong Zhi (Beijing) Consulting Service Ltd and Guangzhou Dong Li Consulting Service Ltd.

	Carrying Value	
	2012	2011
Goodwill, January 1,	\$ 1,992	\$ 1,909
Additions	-	-
Impairments	-	-
Currency translation	6	13
Goodwill, March 31,	<u>\$ 1,998</u>	<u>\$ 1,922</u>

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NOTE 11 – BUSINESS REORGANIZATION EXPENSES

In January 2012, the Company’s Chief Executive Officer approved a \$1,000 plan of reorganization (“2012 Plan”) to streamline the Company’s support operations in each of Hudson’s regional businesses to match the aggregated operating segments and to improve support services to the Company’s regional and global professional business practices. The 2012 Plan primarily includes costs for actions to reduce support functions to match them to the revised operating structure. On April 26, 2012, the Company’s Board of Directors (the “Board”) approved an addition to the 2012 Plan of \$10,000 for additional actions to accelerate the Company’s plans for increased global alignment and redirection of resources from support to client facing activities. The Company expects to substantially complete the 2012 Plan in 2012.

The Company’s Board approved other reorganization plans in 2009 (“2009 Plan”), 2008 (“2008 Plan”), and 2006 (“2006 Plan”) to streamline the Company’s support operations and included actions to reduce support functions to match them to the scale of the business, to exit underutilized properties and to eliminate contracts for certain discontinued services. These actions resulted in costs for lease termination payments, employee termination benefits and contract cancellations. Business reorganization expense for the three months ended March 31, 2012, and 2011 by plan was as follows:

	Three Months Ended March 31,	
	2012	2011
2006 Plan	\$ -	\$ 375
2008 Plan	-	-
2009 Plan	(48)	(24)
2012 Plan	988	-
Total	\$ 940	\$ 351

The following table contains amounts for Changes in Estimate, Additional Charges, and Payments related to prior restructuring plans that were incurred or recovered during the three months ended March 31, 2012. The amounts for Changes in Estimate and Additional Charges are classified as business reorganization expenses in the Company’s Condensed Consolidated Statements of Operations. Amounts in the “Payments” column represent primarily the cash payments associated with the reorganization plans. Changes in the accrued business reorganization expenses for the three months ended March 31, 2012 were as follows:

For the Three Months Ended March 31, 2012	December 31, 2011	Changes in Estimate	Additional Charges	Payments	March 31, 2012
Lease termination payments	\$ 1,309	\$ (49)	\$ -	\$ (85)	\$ 1,175
Employee termination benefits	75	-	989	(1,051)	13
Contract cancellation costs	5	-	-	-	5
Total	\$ 1,389	\$ (49)	\$ 989	\$ (1,136)	\$ 1,193

NOTE 12 – COMMITMENTS AND CONTINGENCIES

Consulting, Employment and Non-compete Agreements

The Company has entered into various consulting, employment and non-compete agreements with certain key management personnel and former owners of acquired businesses. Agreements with key members of management are generally one year in length, on an at-will basis, provide for compensation and severance payments under certain circumstances and are automatically renewed annually unless either party gives sufficient notice of termination. Agreements with certain consultants and former owners of acquired businesses are generally two to five years in length.

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NOTE 12 – COMMITMENTS AND CONTINGENCIES (continued)

Litigation and Complaints

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

For matters that have reached the threshold of probable and estimable, the Company has established reserves for legal, regulatory and other contingent liabilities. The Company's reserves were not significant as of March 31, 2012 and December 31, 2011.

Asset Retirement Obligations

The Company has certain asset retirement obligations that are primarily the result of legal obligations for the removal of leasehold improvements and restoration of premises to their original condition upon termination of leases. The current portion of asset retirement obligations were included under the caption "Accrued expense and other current liabilities" in the Condensed Consolidated Balance Sheets. The non-current portion of asset retirement obligations were included under the caption "Other non-current liabilities" in the Condensed Consolidated Balance Sheets. The Company's asset retirement obligations that were included in the Condensed Consolidated Balance Sheets as of March 31, 2012 and December 31, 2011 were as follows:

	March 31, 2012	December 31, 2011
Current portion of asset retirement obligations	\$ 533	\$ 301
Non-current portion of asset retirement obligations	2,460	2,507
Total asset retirement obligations	\$ 2,993	\$ 2,808

Matters Under Appeal

The Company is currently appealing a decision by the Pennsylvania Department of Revenue related to its 2004 and 2005 state income tax returns. Under the appeals process, the State has filed a routine tax lien in the amount of \$3,500 on the Company's U.S. operating subsidiary. The Company has posted a security bond amounting to 120% of the lien. The Company does not expect this bond to be drawn. In January 2012, the Company and the Commonwealth of Pennsylvania engaged in discussions resulting in a settlement proposal that is currently pending. This proposal could potentially lead to a settlement within the next twelve months. A settlement could result in a reduction in the future provision for income taxes.

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NOTE 13 – CREDIT AGREEMENTS

Credit Agreement with RBS Citizens Business Capital

On August 5, 2010, the Company and certain of its North American and U.K. subsidiaries entered into a senior secured revolving credit facility with RBS Citizens Business Capital, a division of RBS Asset Finance, Inc. (“RBS”), and on February 22, 2012, the Company and certain of its North American and U.K. subsidiaries entered into an amendment to the senior secured revolving credit facility with RBS (as amended, the “Revolver Agreement”). The Revolver Agreement provides the Company with the ability to borrow up to \$40,000, including the issuance of letters of credit. The Company may increase the maximum borrowing amount to \$50,000, subject to certain conditions including lender acceptance. Extensions of credit are based on a percentage of the eligible accounts receivable from the U.K. and North America operations, less required reserves. In connection with the Revolver Agreement, the Company incurred and capitalized approximately \$1,457 of deferred financing costs, which are being amortized over the term of the agreement. The maturity date of the Revolver Agreement is August 5, 2014. Borrowings under the Revolver Agreement are secured by substantially all of the assets of the Company.

Prior to the amendment, borrowings could be made with an interest rate based on a base rate plus 2% or on the LIBOR rate for the applicable period plus 3%. The applicable margin for each rate is based on the Company’s Fixed Charge Coverage Ratio (as defined in the Revolver Agreement). The amendment, which was deemed to be effective on February 1, 2012, lowered the applicable margin for the interest rate on borrowings based on the Company’s Fixed Charge Coverage Ratio as follows:

Level	Fixed Charge Coverage Ratio	Base Rate Revolving Loans	LIBOR Revolving Loans or Letter of Credit Obligations
I	Greater than or equal to 1.25:1.0	1.25%	2.25%
II	Less than 1.25:1.0 but greater than or equal to 1.10:1.0	1.50%	2.50%
III	Less than 1.10:1.0	1.75%	2.75%

The details of the Revolver Agreement as of March 31, 2012 were as follows:

	March 31, 2012
Borrowing base	\$ 34,646
Less: adjustments to the borrowing base	
Minimum availability	(5,000)
Outstanding letters of credits	(2,360)
Adjusted borrowing base	27,286
Less: outstanding borrowing	-
Additional borrowing availability	\$ 27,286
Interest rates on outstanding borrowing	4.50%

The Revolver Agreement contains various restrictions and covenants including: (1) a requirement to maintain a minimum excess availability \$5,000, a Fixed Charge Coverage Ratio of at least 1.1x and EBITDA (as defined in the Revolver Agreement) for the Company’s North American and U.K. operations of at least \$1,000; (2) a limit on the payment of dividends of not more than \$5,000 per year and subject to certain conditions; (3) restrictions on the ability of the Company to make additional borrowings, acquire, merge or otherwise fundamentally change the ownership of the Company or repurchase the Company’s stock; (4) a limit on investments, and a limit on acquisitions of not more than \$25,000 in cash and \$25,000 in non-cash consideration per year, subject to certain conditions set forth in the Revolver Agreement; and (5) a limit on dispositions of assets of not more than \$4,000 per year. The Company was in compliance with all financial covenants under the Revolver Agreement as of March 31, 2012.

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NOTE 13 – CREDIT AGREEMENTS (continued)

Credit Agreement with Westpac Banking Corporation

On November 29, 2011, certain Australian and New Zealand subsidiaries of the Company entered into a Facility Agreement, dated November 29, 2011 (the “Facility Agreement”), with Westpac Banking Corporation and Westpac New Zealand Limited (collectively, “Westpac”).

The Facility Agreement provides three tranches: (a) an invoice discounting facility of up to \$20,706 (AUD20,000) (“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 \$2,865 (NZD3,500) (“Tranche B”) for a New Zealand subsidiary of the Company; and (c) a financial guarantee facility of up to \$5,177 (AUD5,000) (“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 0.75%. 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 0.83%. Each of Tranche A and Tranche B bears a fee, payable monthly, equal to 0.65% of the size of Westpac’s commitment under such tranche. Borrowings under Tranche C may be made incurring a fee equal to 1.10% 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 March 31, 2012 were as follows:

	March 31, 2012
Tranche A:	
Borrowing capacity	\$ 20,706
Less: outstanding borrowing	-
Additional borrowing availability	\$ 20,706
Interest rates on outstanding borrowing	6.15%
Tranche B:	
Borrowing capacity	\$ 2,865
Less: outstanding borrowing	-
Additional borrowing availability	\$ 2,865
Interest rates on outstanding borrowing	6.03%
Tranche C:	
Financial guarantee capacity	\$ 5,177
Less: outstanding financial guarantee requested	(4,462)
Additional availability for financial guarantee	\$ 715
Interest rates on financial guarantee requested	1.10%

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) a minimum Tangible Net Worth (as defined in the Facility Agreement) as of the last day of each calendar quarter of not less than the higher of 85% of the Tangible Net Worth as of the last day of the previous calendar year and \$18,118 (AUD17,500); (2) at all times, a minimum Fixed Charge Coverage Ratio (as defined in the Facility Agreement) of 1.5x for the trailing twelve month period; 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 March 31, 2012.

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NOTE 13 – CREDIT AGREEMENTS (continued)

Other Credit Agreements

The Company also has lending arrangements with local banks through its subsidiaries in the Netherlands, Belgium, Singapore and Mainland China. As of March 31, 2012, the Netherlands subsidiary could borrow up to \$2,067 (€1,549) based on an agreed percentage of accounts receivable related to its operations. The Belgium subsidiary has a \$1,334 (€1,000) overdraft facility. 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 3.06% as of March 31, 2012. 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 \$795 (SGD 1,000) for working capital purposes. Interest on borrowings under this overdraft facility is based on the Singapore Prime Rate plus a margin of 1.75%, and it was 6.0% on March 31, 2012. The Singapore overdraft facility expires annually each August, but can be renewed for one year periods at that time. In Mainland China, the Company's subsidiary can borrow up to \$1,000 for working capital purposes. Interest on borrowings under this overdraft facility is based on the People's Republic of China's six month rate plus 200 basis points, and it was 8.1% on March 31, 2012. This overdraft facility expires annually each September, but can be renewed for one year periods at that time. There were no outstanding borrowings under the Belgium, the Netherlands, Singapore and Mainland China lending agreements as of March 31, 2012.

The average monthly outstanding borrowings for the Revolver Agreement, Facility Agreement and the various credit agreements in Belgium, the Netherlands, Singapore and Mainland China was \$1,260 for the three months ended March 31, 2012. The weighted average interest rate on all outstanding borrowings for the three months ended March 31, 2012 was 5.92%.

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

NOTE 14 – SHELF REGISTRATIONS

Acquisition Shelf Registration Statement

The Company has a shelf registration on file with the SEC to enable it to issue up to 1,350,000 shares of its common stock from time to time in connection with acquisitions of businesses, assets or securities of other companies, whether by purchase, merger or any other form of acquisition or business combination. If any shares are issued using this shelf registration, the Company will not receive any proceeds from these offerings other than the assets, businesses or securities acquired. As of March 31, 2012, all of the 1,350,000 shares were available for issuance.

Shelf Registration and Common Stock Offering

In December 2009, the Company filed a shelf registration statement (the "2009 Shelf Registration") with the SEC to enable it to issue up to \$30,000 equivalent of securities or combinations of securities. The types of securities permitted for issuance under the 2009 Shelf Registration are debt securities, common stock, preferred stock, warrants, stock purchase contracts and stock purchase units.

As a result of a 2010 public offering of common stock, the Company may issue up to \$8,990 equivalent of securities or combinations of securities under the 2009 Shelf Registration.

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NOTE 15 – SEGMENT AND GEOGRAPHIC DATA

Segment Reporting

In the fourth quarter of 2011, the Company reorganized its leadership team to align the Company’s operations with its business strategy to run its global operations in three regions. As a result, the Company revised its reportable segments by aggregating the segments of Hudson Australia New Zealand and Hudson Asia into one segment, Hudson Asia Pacific. The Company has reclassified information for the three months ended March 31, 2011 to reflect this change to the segment reporting in accordance with the requirements of ASC 280-10-50-1 to 9 “*Operating Segments*” and ASC 280-10-50-10 “*Reportable Segments*.”

The Company operates in three reportable segments: the Hudson regional businesses of Hudson Americas, Hudson Asia Pacific, and Hudson Europe. Corporate expenses are reported separately from the three reportable segments and pertain to certain functions, such as executive management, corporate governance, human resources, accounting, administration, tax and treasury, the majority of which are attributable to and have been allocated to the reportable segments. Segment information is presented in accordance with ASC 280, “*Segments Reporting*.” This standard is based on a management approach that requires segmentation based upon the Company’s internal organization and disclosure of revenue and certain expenses based upon internal accounting methods. The Company’s financial reporting systems present various data for management to run the business, including internal profit and loss statements prepared on a basis not consistent with generally accepted accounting principles. Accounts receivable, net and long-lived assets are the only significant assets separated by segment for internal reporting purposes.

	Hudson Americas	Hudson Asia Pacific	Hudson Europe	Corporate	Inter- segment elimination	Total
For The Three Months Ended March 31, 2012						
Revenue, from external customers	\$ 45,170	\$ 74,263	\$ 81,157	\$ -	\$ -	\$ 200,590
Inter-segment revenue	-	13	18	-	(31)	-
Total revenue	\$ 45,170	\$ 74,276	\$ 81,175	\$ -	\$ (31)	\$ 200,590
Gross margin, from external customers	\$ 11,831	\$ 29,313	\$ 32,064	\$ -	\$ -	\$ 73,208
Inter-segment gross margin	(3)	(4)	7	-	-	-
Total gross margin	\$ 11,828	\$ 29,309	\$ 32,071	\$ -	\$ -	\$ 73,208
Business reorganization expenses (recovery)	\$ 20	\$ 67	\$ 720	\$ 133	\$ -	\$ 940
EBITDA (loss) (a)	\$ (491)	\$ 8	\$ (1,087)	\$ (631)	\$ -	\$ (2,201)
Depreciation and amortization	319	694	363	129	-	1,505
Intercompany interest income (expense), net	-	(1,746)	(108)	1,854	-	-
Interest income (expense), net	(19)	(65)	19	(96)	-	(161)
Income (loss) from continuing operations before income taxes	\$ (829)	\$ (2,497)	\$ (1,539)	\$ 998	\$ -	\$ (3,867)
As of March 31, 2012						
Accounts receivable, net	\$ 31,654	\$ 45,098	\$ 55,815	\$ -	\$ -	\$ 132,567
Long-lived assets, net of accumulated depreciation and amortization	\$ 2,478	\$ 10,389	\$ 4,902	\$ 2,406	\$ -	\$ 20,175
Total assets	\$ 36,997	\$ 75,506	\$ 84,660	\$ 8,614	\$ -	\$ 205,777

	Hudson Americas	Hudson Asia Pacific	Hudson Europe	Corporate	Inter- segment elimination	Total
For The Three Months Ended March 31, 2011						
Revenue, from external customers	\$ 45,812	\$ 79,017	\$ 93,710	\$ -	\$ -	\$ 218,539
Inter-segment revenue	(2)	5	9	-	(12)	-
Total revenue	\$ 45,810	\$ 79,022	\$ 93,719	\$ -	\$ (12)	\$ 218,539
Gross margin, from external customers	\$ 10,356	\$ 31,905	\$ 38,937	\$ -	\$ -	\$ 81,198
Inter-segment gross margin	(3)	(2)	4	-	1	-
Total gross margin	\$ 10,353	\$ 31,903	\$ 38,941	\$ -	\$ 1	\$ 81,198
Business reorganization expenses (recovery)	\$ -	\$ -	\$ 351	\$ -	\$ -	\$ 351
EBITDA (loss) (a)	\$ (379)	\$ 2,014	\$ 2,175	\$ (1,284)	\$ -	\$ 2,526
Depreciation and amortization	322	720	466	68	-	1,576
Intercompany interest income (expense), net	-	(1,792)	(109)	1,901	-	-
Interest (expense) income, net	(1)	(104)	6	(107)	-	(206)
Income (loss) from continuing operations before income taxes	\$ (702)	\$ (602)	\$ 1,606	\$ 442	\$ -	\$ 744
As of March 31, 2011						
Accounts receivable, net	\$ 28,608	\$ 50,341	\$ 66,556	\$ -	\$ -	\$ 145,505
Long-lived assets, net of accumulated depreciation and amortization	\$ 1,537	\$ 9,935	\$ 4,736	\$ 2,141	\$ -	\$ 18,349
Total assets	\$ 32,733	\$ 79,616	\$ 100,384	\$ 9,665	\$ -	\$ 222,398

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NOTE 15 – SEGMENT AND GEOGRAPHIC DATA (continued)

- (a) 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 which the Company uses to manage its operations and evaluate its performance. Management also uses this measurement to evaluate working capital requirements. EBITDA should not be considered in isolation or as a substitute for operating income and net income prepared in accordance with U.S. GAAP or as a measure of the Company's profitability.

Geographic Data Reporting

A summary of revenues for the three months ended March 31, 2012 and 2011 and long-lived assets and net assets by geographic area as of March 31, 2012 and 2011 were as follows:

Information by geographic region	United Kingdom	Australia	United States	Continental Europe	Other Asia Pacific	Other Americas	Total
For The Three Months Ended March 31, 2012							
Revenue (b)	\$ 52,007	\$ 57,644	\$ 44,636	\$ 29,041	\$ 16,728	\$ 534	\$ 200,590
For The Three Months Ended March 31, 2011							
Revenue (b)	\$ 63,800	\$ 61,725	\$ 45,363	\$ 29,526	\$ 17,676	\$ 449	\$ 218,539
As of March 31, 2012							
Long-lived assets, net of accumulated depreciation and amortization (c)	\$ 3,183	\$ 6,030	\$ 4,833	\$ 1,707	\$ 4,364	\$ 58	\$ 20,175
Net assets	\$ 30,112	\$ 29,730	\$ 21,558	\$ 10,634	\$ 14,554	\$ 536	\$ 107,124
As of March 31, 2011							
Long-lived assets, net of accumulated depreciation and amortization (c)	\$ 2,907	\$ 6,381	\$ 3,686	\$ 1,814	\$ 3,561	\$ -	\$ 18,349
Net assets	\$ 31,964	\$ 23,091	\$ 17,452	\$ 11,302	\$ 11,890	\$ 552	\$ 96,251

- (b) Revenue by geographic region disclosed above is net of any inter-segment revenue and, therefore, represents only revenue from external customers according to the location of the operating subsidiary.
- (c) Comprised of property and equipment and intangibles. Corporate assets are included in the United States.

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

This Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") should be read in conjunction with the Condensed Consolidated Financial Statements and the notes thereto, included in Item 1 of this Form 10-Q. 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 15 to the Condensed Consolidated Financial Statements for EBITDA segment reconciliation information.

This MD&A includes the following sections:

- Executive Overview
- Results of Operations
- Liquidity and Capital Resources
- Contingencies
- Recent Accounting Pronouncements

Executive Overview

The Company has expertise in recruiting mid-level professional talent across all management disciplines in a wide range of industries. We match clients and candidates to address client needs on a part time, full time, and interim basis. Part of that expertise is derived from research on hiring trends and clients' current successes and challenges with their staff. This research has helped enhance our understanding about the number of new hires that do not meet our clients' long term goals, the reasons why, and the cost to organizations. Our focus is to continually upgrade our service offerings, delivery capability and assessment tools to make our candidates more successful in achieving our clients' business requirements.

Over the past year, the Company has shifted and refined its focus from a traditional staffing vendor to providing solutions as a trusted business advisor and partner to both clients and candidates. The Company's proprietary frameworks, assessment tools and leadership development programs, coupled with our broad geographical footprint, has allowed us to design and implement regional and global recruitment solutions that greatly enhance the quality of hiring.

The Company's strategic initiatives for the near term include:

- Leveraging the value of our global business as exemplified by the launch of the global practices in Legal eDiscovery and Recruitment Process Outsourcing ("RPO").
- Attracting, developing and retaining the right people to increase productivity and profitability.
- Focusing on selected clients and services to provide higher value recruitment solutions to their businesses.
- Create a compelling digital presence to help attract both highly skilled candidates and new clients to grow our business.

Current Market Conditions

Global market conditions were mixed throughout the first quarter. The European debt crisis, which intensified in 2011, has persisted longer than anticipated despite government and central bank actions and has had an impact on the banking sector worldwide. In addition, slowing growth in China and its impact throughout the greater Asia Pacific region has resulted in overall delays in corporate hiring.

These market conditions contributed to a decline in the Company's first quarter revenues of 8.9 percent and affected several of the major markets in which we operate. If the debt crisis in Europe is not resolved timely, we may experience prolonged periods of lower revenues, which could negatively impact our business, operating results and financial condition. At this time we are unable to accurately predict the outcome of these events or changes in general economic conditions and their effect on the demand for our services.

In January 2012, the Company's Chief Executive Officer approved a \$1 million plan of reorganization ("2012 Plan") to streamline the Company's support operations in each of Hudson's regional businesses to match the aggregated operating segments and to improve support services to the Company's regional and global professional business practices. The 2012 Plan primarily includes costs for actions to reduce support functions to match them to the revised operating structure. On April 26, 2012, the Company's Board of Directors approved an addition to the 2012 Plan of up to \$10 million for additional actions to accelerate the Company's plans for increased global alignment and redirection of resources from support to client facing activities. The Company expects to substantially complete the 2012 Plan in 2012.

Financial Performance

The following is a summary of the highlights for the three months ended March 31, 2012, and 2011. These should be considered in the context of the additional disclosures in this MD&A.

- Revenue was \$200.6 million for the three months ended March 31, 2012, compared to \$218.5 million for 2011, a decrease of \$17.9 million, or 8.2%. On a constant currency basis, the Company's revenue decreased \$19.5 million or 8.9%. Of this decrease, \$14.1 million, or 8.6% was in contracting revenue and \$5.9 million, or 13.5%, was in permanent recruitment revenue.
- Gross margin was \$73.2 million for the three months ended March 31, 2012, compared to \$81.2 million for 2011, a decrease of \$8.0 million, or 9.8%. On a constant currency basis, gross margin decreased \$8.2 million or 10.1%. Of this decrease, \$5.9 million, or 13.5 % was in permanent recruitment gross margin and \$2.7 million, or 9.3% was in contracting gross margin.
- Selling, general and administrative expenses and other non-operating income (expense) ("SG&A and Non-Op") were \$74.5 million for the three months ended March 31, 2012, as compared to \$78.3 million for 2011, a decrease of \$3.9 million, or 4.9%. On a constant currency basis, SG&A and Non-Op decreased \$4.1 million or 5.2%. SG&A and Non-Op, as a percentage of revenue, was 37.1% for the three months ended March 31, 2012 as compared to 35.7% in 2011.
- EBITDA loss was \$2.2 million for the three months ended March 31, 2012, as compared to EBITDA of \$2.5 million for 2011. On a constant currency basis, EBITDA decreased \$4.7 million.
- Net loss was \$3.2 million for the three months ended March 31, 2012, as compared to a net loss of less than \$0.1 million for 2011. On a constant currency basis, the net loss increased \$3.1 million.

Constant Currency

The Company operates on a global basis, with the majority of its gross margin generated outside of the U.S. Accordingly, fluctuations in foreign currency exchange rates can affect 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 a previously reported period are translated into U.S. dollars using the same foreign currency exchange rates that were used to translate financial data for the current period. The Company’s management reviews and analyzes business results in constant currency and believes these results better represent the Company’s underlying business trends. Changes in foreign currency exchange rates generally impact only reported earnings.

Changes in revenue, gross margin, SG&A and Non-Op, business reorganization expenses, operating income (loss), net income (loss) and EBITDA (loss) include the effect of changes in foreign currency exchange rates.

The tables below summarize the impact of foreign currency exchange adjustments on the Company’s operating results for the three months ended March 31, 2012 and 2011.

\$ in thousands	Three Months Ended March 31,			
	2012	2011		
	As reported	As reported	Currency translation	Constant currency
Revenue:				
Hudson Americas	\$ 45,170	\$ 45,812	\$ (7)	\$ 45,805
Hudson Asia Pacific	74,263	79,017	4,053	83,070
Hudson Europe	81,157	93,710	(2,472)	91,238
Total	<u>\$ 200,590</u>	<u>\$ 218,539</u>	<u>\$ 1,574</u>	<u>\$ 220,113</u>
Gross margin:				
Hudson Americas	\$ 11,831	\$ 10,356	\$ (6)	\$ 10,350
Hudson Asia Pacific	29,313	31,905	1,472	33,377
Hudson Europe	32,064	38,937	(1,208)	37,729
Total	<u>\$ 73,208</u>	<u>\$ 81,198</u>	<u>\$ 258</u>	<u>\$ 81,456</u>
SG&A and other non-Op (a):				
Hudson Americas	\$ 12,299	\$ 10,733	\$ (7)	\$ 10,726
Hudson Asia Pacific	29,233	29,888	1,413	31,301
Hudson Europe	32,438	36,415	(1,144)	35,271
Corporate	499	1,285	-	1,285
Total	<u>\$ 74,469</u>	<u>\$ 78,321</u>	<u>\$ 262</u>	<u>\$ 78,583</u>
Business reorganization expenses:				
Hudson Americas	\$ 20	\$ -	\$ -	\$ -
Hudson Asia Pacific	67	-	-	-
Hudson Europe	720	351	(8)	343
Corporate	133	-	-	-
Total	<u>\$ 940</u>	<u>\$ 351</u>	<u>\$ (8)</u>	<u>\$ 343</u>
Operating income (loss):				
Hudson Americas	\$ (64)	\$ (118)	\$ -	\$ (118)
Hudson Asia Pacific	1,045	2,432	108	2,540
Hudson Europe	333	3,319	(113)	3,206
Corporate	(5,016)	(5,170)	-	(5,170)
Total	<u>\$ (3,702)</u>	<u>\$ 463</u>	<u>\$ (5)</u>	<u>\$ 458</u>
Net income (loss), consolidated	<u>\$ (3,211)</u>	<u>\$ (6)</u>	<u>\$ (70)</u>	<u>\$ (76)</u>
EBITDA (loss):				
Hudson Americas	\$ (491)	\$ (379)	\$ (1)	\$ (380)
Hudson Asia Pacific	8	2,014	59	2,073
Hudson Europe	(1,087)	2,175	(55)	2,120
Corporate	(631)	(1,284)	-	(1,284)
Total	<u>\$ (2,201)</u>	<u>\$ 2,526</u>	<u>\$ 3</u>	<u>\$ 2,529</u>

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

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 United States of America ("GAAP") or as a measure of the Company's profitability. EBITDA is derived from net income (loss) adjusted for the provision for (benefit from) for 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:

\$ in thousands	Three Months Ended March 31,	
	2012	2011
Net income (loss)	\$ (3,221)	\$ (6)
Adjustments to net income (loss)		
Provision for (benefit from) income taxes	(646)	750
Interest expense, net	161	206
Depreciation and amortization expense	1,505	1,576
Total adjustments from income (loss) to EBITDA (loss)	1,020	2,532
EBITDA (loss)	\$ (2,201)	\$ 2,526

Temporary Contracting Data

The following table sets forth the Company's temporary contracting revenue, temporary contracting gross margin, and gross margin as a percent of revenue for the three months ended March 31, 2012 and 2011.

\$ in thousands	Three Months Ended March 31,			
	2012	2011		
	As reported	As reported	Currency translation	Constant currency
TEMPORARY CONTRACTING DATA (a):				
Temporary contracting revenue:				
Hudson Americas	\$ 41,603	\$ 44,062	\$ -	\$ 44,062
Hudson Asia Pacific	51,841	54,386	2,982	57,368
Hudson Europe	56,993	64,613	(1,495)	63,118
Total	\$ 150,437	\$ 163,061	\$ 1,487	\$ 164,548
Temporary contracting gross margin:				
Hudson Americas	\$ 8,359	\$ 8,618	\$ -	\$ 8,618
Hudson Asia Pacific	8,079	8,306	452	8,758
Hudson Europe	9,928	11,982	(295)	11,687
Total	\$ 26,366	\$ 28,906	\$ 157	\$ 29,063
Temporary contracting gross margin as a percent of temporary contracting revenue:				
Hudson Americas	20.09%	19.56%	N/A	19.56%
Hudson Asia Pacific	15.58%	15.27%	N/A	15.27%
Hudson Europe	17.42%	18.54%	N/A	18.52%
Total	17.53%	17.73%	N/A	17.66%

(a) Temporary contracting gross margin and gross margin as a percent of revenue are shown to provide additional information on the Company's ability to manage its cost structure and provide further comparability relative to 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.

Results of Operations

Hudson Americas (reported currency)

Revenue

\$ in millions	Three Months Ended March 31,	
	2012	2011
	As reported	As reported
Hudson Americas		
Revenue	\$ 45.2	\$ 45.8

Revenue remained essentially flat at \$45.2 million for the three months ended March 31, 2012, as compared to \$45.8 million for 2011. Permanent recruitment revenue more than doubled with an increase of \$1.8 million and was offset by a decrease in contracting revenue of \$2.5 million, or 5.6%, as compared to 2011.

RPO accounted for nearly all the growth in permanent recruitment revenue and was driven by new client wins and achievement of incentive thresholds with existing clients. The decline in contracting revenue was principally in legal and resulted principally from the workflow gaps in large projects.

Gross margin

\$ in millions	Three Months Ended March 31,	
	2012	2011
	As reported	As reported
Hudson Americas		
Gross margin	\$ 11.8	\$ 10.4
Gross margin as a percentage of revenue	26.2%	22.6%
Contracting gross margin as a percentage of contracting revenue:	20.1%	19.6%

Gross margin was \$11.8 million for the three months ended March 31, 2012, as compared to \$10.4 million for 2011, an increase of \$1.5 million or 14.2%. The increase in gross margin was entirely attributable to permanent recruitment, which increased \$1.7 million, or nearly double, and was partially offset by a slight decline in contracting gross margin.

The increase in permanent recruitment gross margin was attributable to the same factors as described above for revenue.

Contracting gross margin as a percentage of revenue was 20.1% for the three months ended March 31, 2012, as compared to 19.6% for 2011 and due principally to mix. Total gross margin as a percentage of revenue increased to 26.2% from 22.6% in 2011 as a result of the higher growth in RPO as described above.

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

\$ in millions	Three Months Ended March 31,	
	2012	2011
	As reported	As reported
Hudson Americas		
SG&A and Non-Op	\$ 12.3	\$ 10.7
SG&A and Non-Op as a percentage of revenue	27.2%	23.4%

SG&A and Non-Op was \$12.3 million for the three months ended March 31, 2012 as compared to \$10.7 million for 2011, an increase of \$1.6 million or 14.6%. The increase was primarily due to proportionally greater staff compensation resulting from the higher gross margin and an increase in professional fees. SG&A and Non-Op, as a percentage of revenue, was 27.2% as compared to 23.4% for 2011 due to higher corporate management and professional fees.

Operating Income and EBITDA

\$ in millions	Three Months Ended March 31,	
	2012	2011
	As reported	As reported
Hudson Americas		
Operating income (loss):	\$ (0.1)	\$ (0.1)
EBITDA (loss)	\$ (0.5)	\$ (0.4)
EBITDA (loss) as a percentage of revenue	-1.1%	-0.8%

EBITDA loss remained flat at \$0.5 million for the three months ended March 31, 2012, as compared to an EBITDA loss of \$0.4 million for 2011. EBITDA loss, as a percentage of revenue, also remained essentially flat at 1.1% as compared to 0.8% for 2011. Operating loss was flat at \$0.1 million for the three months ended March 31, 2012 and 2011. The difference between operating loss and EBITDA loss was principally due to corporate management fees and depreciation.

Hudson Asia Pacific (constant currency)

Revenue

\$ in millions	Three Months Ended March 31,		
	2012	2011	
	As reported	As reported	Constant currency
Hudson Asia Pacific			
Revenue	\$ 74.3	\$ 79.0	\$ 83.1

Revenue was \$74.3 million for the three months ended March 31, 2012, as compared to \$83.1 million for 2011, a decrease of \$8.8 million or 10.6%. Contracting and permanent recruitment revenue decreased \$5.5 million and \$4.0 million, or 9.6% and 17.6%, respectively and was partially offset by outplacement revenue, which increased \$0.9 million or 32.3%.

In Australia, contracting and permanent recruitment revenue declined \$4.4 million and \$3.1 million, or 9.0% and 23.2%, respectively. The decline in contracting revenue was attributed principally to a change in the business model with one low margin client and a slowing in spending in the public sector. The decrease in permanent recruitment revenue was due principally to clients postponing hiring decisions. In Asia, revenue declined slightly from \$8.4 million to \$7.9 million, or 6.4%, principally due to the banking sector, which remained weak across the region.

Gross margin

\$ in millions	Three Months Ended March 31,		
	2012	2011	
	As reported	As reported	Constant currency
Hudson Asia Pacific			
Gross margin	\$ 29.3	\$ 31.9	\$ 33.4
Gross margin as a percentage of revenue	39.5%	40.4%	40.2%
Contracting gross margin as a percentage of contracting revenue:	15.6%	15.3%	15.3%

Gross margin was \$29.3 million for the three months ended March 31, 2012, as compared to \$33.4 million for 2011, a decrease of \$4.1 million or 12.2%. Permanent recruitment and contracting gross margins decreased \$3.9 million and \$0.7 million or 17.6% and 7.8%, respectively. The decrease was partially offset by an improvement in talent management, which increased \$0.7 million, or 30.7%.

The decrease in permanent recruitment and contracting gross margin was attributable to the same factors as described above for revenue.

Contracting gross margin as a percentage of revenue was 15.6% for the three months ended March 31, 2012, as compared to 15.3% for 2011. Total gross margin, as a percentage of revenue, was 39.5% compared to 40.2% for 2011 and resulted principally from the change in mix.

SG&A and Non-Op

	Three Months Ended March 31,		
	2012	2011	
	As reported	As reported	Constant currency
\$ in millions			
Hudson Asia Pacific			
SG&A and Non-Op	\$ 29.2	\$ 29.9	\$ 31.3
SG&A and Non-Op as a percentage of revenue	39.4%	37.8%	37.7%

SG&A and Non-Op was \$29.2 million for the three months ended March 31, 2012 as compared to \$31.3 million for 2011, a decrease of \$2.1 million or 6.6%. The decrease was primarily attributed to proportionally lower compensation, which declined \$2.7 million or 13.6% resulting from lower gross margin, partially offset by \$0.3 million of costs associated with relocation of the new Sydney, Australia office. SG&A and Non-Op, as a percentage of revenue, was 39.4% as compared to 37.7% for 2011 primarily due to the increased corporate management fee allocation and the relocation costs noted above.

Operating Income and EBITDA

	Three Months Ended March 31,		
	2012	2011	
	As reported	As reported	Constant currency
\$ in millions			
Hudson Asia Pacific			
Operating income (loss):	\$ 1.0	\$ 2.4	\$ 2.5
EBITDA (loss)	\$ 0.0	\$ 2.0	\$ 2.1
EBITDA (loss) as a percentage of revenue	0.0%	2.5%	2.6%

EBITDA was breakeven for the three months ended March 31, 2012, as compared to \$2.1 million for 2011, a decrease of \$2.1 million. EBITDA, as a percentage of revenue, was 0% as compared to 2.6% for 2011. The decrease in EBITDA was primarily a result of lower gross margin. Operating income was \$1 million for the three months ended March 31, 2012, as compared to \$2.5 million for 2011. The difference between operating income and EBITDA was principally due to corporate management fee and depreciation.

Hudson Europe (constant currency)**Revenue**

\$ in millions	Three Months Ended March 31,		
	2012	2011	
	As reported	As reported	Constant currency
Hudson Europe Revenue	\$ 81.2	\$ 93.7	\$ 91.2

Revenue was \$81.2 million for the three months ended March 31, 2012, as compared to \$91.2 million for 2011, a decrease of \$10.1 million or 11.0%. Contracting and permanent recruitment revenue decreased \$6.1 million, \$3.7 million, or 9.7% and 19.4%, respectively. Talent management revenue remained flat at approximately \$8.0 million in 2012 and 2011.

In the U.K., contracting and permanent recruitment revenue declined \$8.7 million and \$2.0 million, or 16.6% and 22.1%, respectively and resulted principally from continued weakness in the financial services sector.

In Continental Europe, revenue increased \$0.8 million or 2.7%. Contracting revenue increased \$2.6 million or 24.4%, partially offset by a decrease in permanent recruitment revenue of \$1.5 million, or 15.1%. Talent management revenue was relatively flat as compared to 2011. Our consultative practices in the Netherlands and Belgium accounted for the vast majority of the increase in contracting revenue. The decline in permanent recruitment revenue occurred principally in France resulting from lower spending in our RPO practices.

Gross margin

\$ in millions	Three Months Ended March 31,		
	2012	2011	
	As reported	As reported	Constant currency
Hudson Europe Gross margin	\$ 32.1	\$ 38.9	\$ 37.7
Gross margin as a percentage of revenue	39.5%	41.6%	41.4%
Contracting gross margin as a percentage of contracting revenue:	17.4%	18.5%	18.5%

Gross margin was \$32.1 million for the three months ended March 31, 2012, as compared to \$37.7 million for 2011, a decrease of \$5.7 million or 15.0%. Permanent recruitment and contracting gross margins decreased \$3.5 million and \$1.8 million, or 19.1% and 15.1%, respectively. Talent management gross margin remained flat at approximately \$7.0 million in 2012 and 2011.

In the U.K., contracting and permanent recruitment gross margin declined \$2.2 million and \$1.9 million, or 23.8% and 21.9%, respectively and was attributable to the same factors as described above for revenue.

In Continental Europe, total gross margin decreased \$1.3 million or 7.0%. Permanent recruitment gross margin decreased \$1.4 million or 14.6% and was partially offset by the increase in contracting gross margin of \$0.4 million, or 15.1%. The changes in permanent recruitment and contracting gross margin were attributable to the same factors as described above for revenue.

Contracting gross margin as a percentage of contracting revenue was 17.4% for the three months ended March 31, 2012, as compared to 18.5% for 2011 and was attributable to the change in mix among the practices. Total gross margin, as a percentage of total revenue, was 39.5% as compared to 41.4% for 2011 and was primarily related to the decline in permanent recruitment gross margin.

SG&A and Non-Op

\$ in millions	Three Months Ended March 31,		
	2012	2011	
	As reported	As reported	Constant currency
Hudson Europe			
SG&A and Non-Op	\$ 32.4	\$ 36.4	\$ 35.3
SG&A and Non-Op as a percentage of revenue	40.0%	38.9%	38.7%

SG&A and Non-Op was \$32.4 million for the three months ended March 31, 2012, as compared to \$35.3 million for the 2011, a decrease of \$2.8 million or 8.0%. The decrease was primarily due to lower consultant compensation resulting from decline in gross margin. SG&A and Non-Op, as a percentage of revenue, was 40.0% as compared to 38.7% for 2011. The change was primarily due to the weaker revenue.

Business reorganization expenses were \$0.7 million for the three months ended March 31, 2012, as compared to \$0.3 million for the same period in 2011 and were attributed to employee termination benefits.

Operating Income and EBITDA

\$ in millions	Three Months Ended March 31,		
	2012	2011	
	As reported	As reported	Constant currency
Hudson Europe			
Operating income (loss):	\$ 0.3	\$ 3.3	\$ 3.2
EBITDA (loss)	\$ (1.1)	\$ 2.2	\$ 2.1
EBITDA (loss) as a percentage of revenue	-1.3%	2.3%	2.3%

EBITDA loss was \$1.1 million for the three months ended March 31, 2012, as compared to EBITDA of \$2.1 million for 2011, a decrease of \$3.2 million. The decrease in EBITDA was primarily from lower gross margin. EBITDA loss, as a percentage of revenue, was 1.3% as compared to EBITDA margin of 2.3% for 2011.

Operating income was \$0.3 million for the three months ended March 31, 2012, as compared to \$3.2 million for 2011, a decrease of \$2.9 million. The difference between operating income and EBITDA and EBITDA loss is principally due to corporate management fee and depreciation.

The following are discussed in reported currency.

Corporate and Other

Corporate expenses were \$0.5 million for the three months ended March 31, 2012, as compared to \$1.3 million for 2011, a decrease of \$0.8 million or 61.1%. The decrease was primarily due to lower compensation expense, and decreased professional fees. Corporate EBITDA loss was \$0.6 million for the three months ended March 31, 2012, as compared to an EBITDA loss of \$1.3 million for 2011, a decrease of \$0.7 million. The decrease in EBITDA loss was primarily due to the factors discussed above.

Depreciation and Amortization Expense

Depreciation and amortization expense remained consistent at \$1.5 million for the three months ended March 31, 2012, as compared to \$1.6 million for 2011.

Interest Expense

Interest expense, net of interest income remained consistent at \$0.2 million for the three months ended March 31, 2012 and 2011.

Provision for (Benefit from) Income Taxes

The benefit from income taxes for the three months ended March 31, 2012 was \$0.6 million on \$3.9 million of pre-tax loss, as compared to a provision for income taxes of \$0.7 million on \$0.7 million of pre-tax income in 2011. The effective tax rate for the three months ended March 31, 2012 was 16.7%, as compared to 100.8% for 2011. The change in the Company's effective tax rate for the three months ended March 31, 2012 as compared to 2011 was primarily attributable to the Company's ability to benefit losses in certain foreign jurisdictions in 2012 that it was previously unable to recognize and also from the lower charges related to uncertain tax positions. The effective tax rate differed from the U.S. federal statutory rate of 35% primarily due to the utilization of U.S. net operating losses, partially offset by the inability to recognize tax benefits on net losses in certain foreign jurisdictions, state taxes, non-deductible expenses and foreign tax rates that vary from that in the U.S.

Net Income (Loss)

Net loss was \$3.2 million for the three months ended March 31, 2012, as compared to a net loss of less than \$0.1 million for 2011, an increase in net loss of \$3.2 million. Basic and diluted loss per share were \$0.1 for the three months ended March 31, 2012, as compared to basic and diluted loss per share of \$0.00 for 2011.

Liquidity and Capital Resources

As of March 31, 2012, cash and cash equivalents totaled \$24.9 million. The following table summarizes the cash flow activities for the three months ended March 31, 2012 and 2011:

(In millions)	For The Three Months Ended March 31,	
	2012	2011
Net cash provided by (used in) operating activities	\$ (7.2)	\$ (10.1)
Net cash provided by (used in) investing activities	(1.8)	(0.8)
Net cash provided by (used in) financing activities	(3.9)	9.3
Effect of exchange rates on cash and cash equivalents	0.6	0.4
Net increase (decrease) in cash and cash equivalents	\$ (12.3)	\$ (1.2)

Cash Flows from Operating Activities

For three months ended March 31, 2012, net cash used in operating activities was \$7.2 million compared to \$10.1 million for the same period in 2011, a decrease of \$2.9 million. The improvement was primarily due to accelerated accounts receivable collection in the current period and the return of a security deposit of \$1.8 million related to an office lease in Australia, partially offset by higher bonus compensation as a result of improved financial performance in fiscal 2011.

Cash Flows from Investing Activities

For the three months ended March 31, 2012, net cash used in investing activities was \$1.8 million compared to \$0.8 million for the same period in 2011, an increase of \$1.0 million. The increase was primarily for capital expenditures of software in 2012.

Cash Flows from Financing Activities

For the three months ended March 31, 2012, net cash used in financing activities was \$3.9 million compared to net cash provided by financing activities of \$9.3 million for the same period in 2011, an increase in the use of cash of \$13.2 million. The increase in the use of cash was primarily for repayments under the Company's credit agreements.

Credit Agreements

Credit Agreement with RBS Citizens Business Capital

On August 5, 2010, the Company and certain of its North American and U.K. subsidiaries entered into a senior secured revolving credit facility with RBS Citizens Business Capital, a division of RBS Asset Finance, Inc. (“RBS”), and on February 22, 2012, the Company and certain of its North American and U.K. subsidiaries entered into an amendment to the senior secured revolving credit facility with RBS (as amended, the “Revolver Agreement”). The Revolver Agreement provides the Company with the ability to borrow up to \$40 million, including the issuance of letters of credit. The Company may increase the maximum borrowing amount to \$50 million, subject to certain conditions including lender acceptance. Extensions of credit are based on a percentage of the eligible accounts receivable from the U.K. and North America operations, less required reserves. In connection with the Revolver Agreement, the Company incurred and capitalized approximately \$1.5 million of deferred financing costs, which are being amortized over the term of the agreement. The maturity date of the Revolver Agreement is August 5, 2014. Borrowings under the Revolver Agreement are secured by substantially all of the assets of the Company.

Prior to the amendment, borrowings could be made with an interest rate based on a base rate plus 2% or on the LIBOR rate for the applicable period plus 3%. The applicable margin for each rate is based on the Company’s Fixed Charge Coverage Ratio (as defined in the Revolver Agreement). The amendment, which was deemed to be effective on February 1, 2012, lowered the applicable margin for the interest rate on borrowings based on the Company’s Fixed Charge Coverage Ratio as follows:

Level	Fixed Charge Coverage Ratio	Base Rate Revolving Loans	LIBOR Revolving Loans or Letter of Credit Obligations
I	Greater than or equal to 1.25:1.0	1.25%	2.25%
II	Less than 1.25:1.0 but greater than or equal to 1.10:1.0	1.50%	2.50%
III	Less than 1.10:1.0	1.75%	2.75%

The details of the Revolver Agreement as of March 31, 2012 were as follows:

(In millions)	March 31, 2012
Borrowing base	\$ 34.6
Less: adjustments to the borrowing base	
Minimum availability	(5.0)
Outstanding letters of credits	(2.4)
Adjusted borrowing base	27.3
Less: outstanding borrowing	-
Additional borrowing availability	\$ 27.3
Interest rates on outstanding borrowing	4.50%

The Revolver Agreement contains various restrictions and covenants including: (1) a requirement to maintain a minimum excess availability of \$5 million, a Fixed Charge Coverage Ratio of at least 1.1x and EBITDA (as defined in the Revolver Agreement) for the Company’s North American and U.K. operations of at least \$1 million; (2) a limit on the payment of dividends of not more than \$5 million per year and subject to certain conditions; (3) restrictions on the ability of the Company to make additional borrowings, acquire, merge or otherwise fundamentally change the ownership of the Company or repurchase the Company’s stock; (4) a limit on investments, and a limit on acquisitions of not more than \$25 million in cash and \$25 million in non-cash consideration per year, subject to certain conditions set forth in the Revolver Agreement; and (5) a limit on dispositions of assets of not more than \$4 million per year. The Company was in compliance with all covenants under the Revolver Agreement as of March 31, 2012.

Credit Agreement with Westpac Banking Corporation

On November 29, 2011, certain Australian and New Zealand subsidiaries of the Company entered into a Facility Agreement, dated November 29, 2011 (the "Facility Agreement"), with Westpac Banking Corporation and Westpac New Zealand Limited (collectively, "Westpac"). The Facility Agreement provides three tranches: (a) an invoice discounting facility of up to \$20.7 million (AUD20 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 \$2.9 million (NZD3.5 million) ("Tranche B") for a New Zealand subsidiary of the Company; and (c) a financial guarantee facility of up to \$5.2 million (AUD5 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 0.75%. 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 0.83%. Each of Tranche A and Tranche B bears a fee, payable monthly, equal to 0.65% of the size of Westpac's commitment under such tranche. Borrowings under Tranche C may be made incurring a fee equal to 1.10% 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 March 31, 2012 were as follows:

(In millions)	March 31, 2012
Tranche A:	
Borrowing capacity	\$ 20.7
Less: outstanding borrowing	-
Additional borrowing availability	<u>\$ 20.7</u>
Interest rates on outstanding borrowing	6.15%
Tranche B:	
Borrowing capacity	\$ 2.9
Less: outstanding borrowing	-
Additional borrowing availability	<u>\$ 2.9</u>
Interest rates on outstanding borrowing	6.03%
Tranche C:	
Borrowing capacity	\$ 5.2
Less: outstanding borrowing	(4.5)
Additional borrowing availability	<u>\$ 0.7</u>
Interest rates on outstanding borrowing	1.10%

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) a minimum Tangible Net Worth (as defined in the Facility Agreement) as of the last day of each calendar quarter of not less than the higher of 85% of the Tangible Net Worth as of the last day of the previous calendar year and \$18.1 million (AUD17.5 million); (2) at all times, a minimum Fixed Charge Coverage Ratio (as defined in the Facility Agreement) of 1.5x for the trailing twelve month period; 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 covenants under the Facility Agreement as of March 31, 2012.

Other Credit Agreements

The Company also has lending arrangements with local banks through its subsidiaries in the Netherlands, Belgium, Singapore and Mainland China. As of March 31, 2012, the Netherlands subsidiary could borrow up to \$2.1 million (€1.5 million) based on an agreed percentage of accounts receivable related to its operations. In May 2011, the Belgium has a \$1.3 million (€1 million) overdraft facility. 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 3.06% as of March 31, 2012. 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 \$0.8 million (SGD 1 million) for working capital purposes. Interest on borrowings under this overdraft facility is based on the Singapore Prime Rate plus 1.75%, and it was 6.0% on March 31, 2012. The Singapore overdraft facility expires annually each August, but can be renewed for one year periods at that time. In Mainland China, the Company's subsidiary can borrow up to \$1 million for working capital purposes. Interest on borrowings under this overdraft facility is based on the People's Republic of China's six month rate plus 200 basis points, and it was 8.1% on March 31, 2012. This overdraft facility expires annually each September, but can be renewed for one year periods at that time. There were no outstanding borrowings under the Belgium, the Netherlands, Singapore and Mainland China lending agreements as of March 31, 2012.

The average monthly outstanding borrowings for the Revolver Agreement, Facility Agreement and the various credit agreements in Belgium, the Netherlands, Singapore and Mainland China was \$1.3 million for the three months ended March 31, 2012. The weighted average interest rate on all outstanding borrowings for the three months ended March 31, 2012 was 5.92%.

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

Shelf Registration and Stock Issuance

In December 2009, the Company filed a shelf registration statement (the "2009 Shelf Registration") with the Securities and Exchange Commission ("SEC") to enable it to issue up to \$30.0 million equivalent of securities or combinations of securities. The types of securities permitted for issuance under the 2009 Shelf Registration are debt securities, common stock, preferred stock, warrants, stock purchase contracts and stock purchase units.

As a result of a 2010 public offering of common stock, the Company may issue up to \$9 million equivalent of securities or combinations of securities under the 2009 Shelf Registration.

Liquidity Outlook

As of March 31, 2012, the Company had cash and cash equivalents on hand of \$24.9 million supplemented by additional borrowing availability of \$56.1 million under the Revolver Agreement, the Facility Agreement and other lending arrangements in Belgium, the Netherlands, New Zealand, Singapore and Mainland China. 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 March 31, 2012. The Company's near-term cash requirements during 2012 are primarily related to funding operations and capital expenditures. In 2012, the Company expects to make capital expenditures of approximately \$7.0 million to \$9.0 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 March 31, 2012, \$3.1 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 the United Kingdom for \$9.1 million, Mainland China for \$3.9 million, and Belgium for \$1.4 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 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 federal income or foreign withholding taxes on these undistributed foreign earnings. The Company has not done so because this situation is unlikely to occur in the foreseeable future. Accordingly, it is not practicable to determine the amount of tax associated with such undistributed earnings.

For the three months ended March 31, 2012, the concern about the strength and sustainability of the economic recovery and the solvency of certain European sovereign nations has continued to negatively impact the markets where the Company operates. The Company believes that future external market conditions remain uncertain, particularly the access to credit, rates of near-term projected economic growth and levels of unemployment in the markets in which it operates. Due to these uncertain external market conditions, the Company cannot provide assurance that its actual cash requirements will not be greater in the future than those currently expected, especially if market conditions deteriorate substantially. If sources of liquidity are not available or if the Company cannot generate sufficient cash flow from operations, the Company could be required to obtain additional sources of funds through additional operating improvements, capital market transactions, asset sales or financing from third parties, or a combination of those sources. The Company cannot provide assurance that these additional sources of funds will be available or, if available, would have reasonable terms.

Contingencies

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

The economic circumstances in the recent past have given rise to many news reports and bulletins from clients, tax authorities and other parties about changes in their procedures for audits, payment, plans to challenge existing contracts and other such matters aimed at being more aggressive in the resolution of such matters in their own favor. The Company believes that it has appropriate procedures in place for identifying and communicating any matters of this type, whether asserted or likely to be asserted, and it evaluates its liabilities in light of the prevailing circumstances. Changes in the behavior of third parties could cause the Company to change its view of the likelihood of a claim and what might constitute a trend. In the last twelve months, the Company has not seen a marked difference in employee or client disputes.

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 not significant as of March 31, 2012. 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.

The Company is currently appealing a decision by the Pennsylvania Department of Revenue related to its 2004 and 2005 state income tax returns. Under the appeals process, the State has filed a routine tax lien in the amount of \$3.5 million on the Company's U.S. operating subsidiary. The Company has posted a security bond amounting to 120% of the lien. The Company does not expect this bond to be drawn. In January 2012, the Company and the Commonwealth of Pennsylvania engaged in discussions resulting in a settlement proposal that is currently pending. This proposal could potentially lead to a settlement within the next twelve months. A settlement could result in a reduction in the future provision for income taxes. Management believes its reserves for this matter are adequate.

Recent Accounting Pronouncements

In June 2011, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) ASU 2011-05, “*Comprehensive Income (Topic 220): Presentation of Comprehensive Income*”. This standard requires an entity to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. This standard does not change the items that must be reported in other comprehensive income, how such items are measured or when they must be reclassified to net income. Additionally, the standard does not affect the calculation or reporting of net income and earnings per share. In December 2011, the FASB issued ASU 2011-12 “*Comprehensive Income (Topic 220): Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05*”. ASU 2011-12 deferred certain aspects of ASU 2011-05. Among the new provisions in ASU 2011-05 was a requirement for entities to present reclassification adjustments out of accumulated other comprehensive income by component in both the statement in which net income is presented and the other comprehensive income is presented. This requirement is indefinitely deferred by ASU 2011-12 and will be further deliberated by the FASB at a future date. The standard is effective for interim and annual periods beginning after December 15, 2011 and should be applied retrospectively. The Company adopted ASU 2011-05 as of January 1, 2012, and presented the components of other comprehensive income in a single continuous Condensed Consolidated Statement of Operations and Other Comprehensive Income (loss). The Company’s adoption of ASU 2011-05 did not have any impact on the Company’s results of operations or financial condition.

Critical Accounting Policies

See “Critical Accounting Policies” under Item 7 of the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2011 filed with the SEC on February 28, 2012 and incorporated by reference herein. There were no changes to the Company’s critical accounting policies during the three months ended March 31, 2012.

FORWARD-LOOKING STATEMENTS

This Form 10-Q contains statements that the Company believes to be “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical fact included in this Form 10-Q, including statements regarding the Company’s future financial condition, results of operations, business operations and business prospects, are forward-looking statements. Words such as “anticipate,” “estimate,” “expect,” “project,” “intend,” “plan,” “predict,” “believe” and similar words, expressions and variations of these words and expressions are intended to identify forward-looking statements. All forward-looking statements are subject to important factors, risks, uncertainties and assumptions, including industry and economic conditions that could cause actual results to differ materially from those described in the forward-looking statements. Such factors, risks, uncertainties and assumptions include, but are not limited to, (1) global economic fluctuations, (2) risks related to fluctuations in the Company’s operating results from quarter to quarter, (3) the ability of clients to terminate their relationship with the Company at any time, (4) competition in the Company’s markets, (5) risks associated with the Company’s investment strategy, (6) risks related to international operations, including foreign currency fluctuations, (7) the Company’s dependence on key management personnel, (8) the Company’s ability to attract and retain highly skilled professionals, (9) the Company’s ability to collect its accounts receivable, (10) the Company’s history of negative cash flows and operating losses may reoccur in the future, (11) restrictions on the Company’s operating flexibility due to the terms of its credit facilities, (12) the Company’s ability to achieve anticipated cost savings through the Company’s cost reduction initiatives, (13) the Company’s heavy reliance on information systems and the impact of potentially losing or failing to develop technology, (14) risks related to providing uninterrupted service to clients, (15) the Company’s exposure to employment-related claims from clients, employers and regulatory authorities and limits on related insurance coverage, (16) the Company’s ability to utilize net operating loss carry-forwards, (17) volatility of the Company’s stock price, (18) the impact of government regulations, and (19) restrictions imposed by blocking arrangements. These forward-looking statements speak only as of the date of this Form 10-Q. The Company assumes no obligation, and expressly disclaims any obligation, to update any forward-looking statements, whether as a result of new information, future events or otherwise.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company conducts operations in various countries and faces both translation and transaction risks related to foreign currency exchange. For the three months ended March 31, 2012, the Company earned approximately 85% 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 Condensed 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 operating results.

As more fully described in Item 2 “Management’s Discussion and Analysis of Financial Condition and Results of Operations”, the Company has credit agreements with RBS Citizens Business Capital, Westpac Banking Corporation and other credit agreements with lenders in Belgium, the Netherlands, New Zealand, Singapore and Mainland China. 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 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

The Company’s management, with the participation of the Company’s Chairman and Chief Executive Officer and its Executive Vice President and Chief Financial Officer, has conducted an evaluation of the design and operation of the Company’s disclosure controls and procedures, as such term is defined under Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended. Based on this evaluation, the Company’s Chairman and Chief Executive Officer and its Executive Vice President and Chief Financial Officer concluded that the Company’s disclosure controls and procedures were effective as of March 31, 2012.

Changes in internal control over financial reporting

There were no changes in the Company’s internal control over financial reporting that occurred during the three months ended March 31, 2012 that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The Company is involved in various legal proceedings that are incidental to the conduct of its business. The Company is not involved in any pending 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 1A. RISK FACTORS

As of March 31, 2012, there had not been any material changes to the information set forth in Item 1A. "Risk Factors" disclosed in our Annual Report on Form 10-K for the year ended December 31, 2011.

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

The following table summarizes purchases of common stock by the Company during the quarter ended March 31, 2012.

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)
January 1, 2012 - January 31, 2012 (b)	420	\$ 4.95	-	\$ 6,792,000
February 1, 2012 - February 29, 2012 (b)	78,802	\$ 4.90	-	\$ 6,792,000
March 1, 2012 - March 31, 2012(b)	-	\$ -	-	\$ 6,792,000
Total	79,222	\$ 4.90	-	\$ 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. Repurchases of common stock are restricted under the Company's Revolver Agreement entered on August 5, 2010, as amended on February 22, 2012.
- (b) Consisted of restricted stock withheld from employees upon the vesting of such shares to satisfy employees' income tax withholding requirements.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

Costs Associated with Exit or Disposal Activities - In January 2012, the Company's Chief Executive Officer approved a \$1 million plan of reorganization ("2012 Plan") to streamline the Company's support operations in each of Hudson's regional businesses to match the aggregated operating segments and to improve support services to the Company's regional and global professional business practices. The plan primarily includes costs for actions to reduce support functions to match them to the revised operating structure. On April 26, 2012, the Company's Board of Directors approved an addition to the 2012 Plan of up to \$10 million for additional actions to accelerate the Company's plans for increased global alignment and redirection of resources from support to client facing activities. The Company expects to substantially complete the 2012 Plan in 2012. The future cash expenditures for the actions described above are anticipated to be paid out primarily during 2012 and will be approximately equal to the estimated costs.

ITEM 6. EXHIBITS

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

SIGNATURES

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

HUDSON GLOBAL, INC.
(Registrant)

By: /s/ MANUEL MARQUEZ DORSCH
Manuel Marquez Dorsch
Chairman and Chief Executive Officer
(Principal Executive Officer)

Dated: May 2, 2012

By: /s/ MARY JANE RAYMOND
Mary Jane Raymond
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

Dated: May 2, 2012

HUDSON GLOBAL, INC.
FORM 10-Q

EXHIBIT INDEX

Exhibit No.	Description
3.1	Amendment to Amended and Restated Certificate of Incorporation of Hudson Global, Inc. (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K dated May 1, 2012 (file No. 0-50129)).
3.2	Amended and Restated Certificate of Incorporation of Hudson Global, Inc. (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K dated May 1, 2012 (file No. 0-50129)).
3.3	Amended and Restated By-laws of Hudson Global, Inc. (incorporated by reference to Exhibit 3.3 to the Company's Current Report on Form 8-K dated May 1, 2012 (file No. 0-50129)).
10.1*	Hudson Global, Inc. 2009 Incentive Stock and Awards Plan, as Amended and Restated effective April 26, 2012 (incorporated by reference to Exhibit A to the Company's definitive proxy statement filed with the Securities Exchange Commission on Schedule 14A on March 16, 2012 (file No. 0-50129)).
10.2*	Form of Hudson Global, Inc. 2009 Incentive Stock and Awards Plan Restricted Stock Award Agreement for Take-Out Ratio, Employee Engagement Score and Cash Efficiency Score performance vesting awards.
10.3*	Summary of Hudson Global, Inc. Compensation for Non-employee Members of the Board of Directors.
10.4*	Hudson Global, Inc. Amended and Restated Director Deferred Share Plan.
31.1	Certification by Chairman and Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act.
31.2	Certification by the Executive Vice President and Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act.
32.1	Certification of the Chairman and Chief Executive Officer pursuant to 18 U.S.C. Section 1350.
32.2	Certification of the Executive Vice President and Chief Financial Officer pursuant to 18 U.S.C. Section 1350.
101	The following materials from Hudson Global, Inc's Quarterly Report on Form 10-Q for the quarter ended March 31, 2012 are furnished herewith, formatted in XBRL (Extensible Business Reporting Language): (i) the Condensed Consolidated Statements of Operations and Other Comprehensive Income (Loss) for the three months ended March 31, 2012 and 2011, (ii) the Condensed Consolidated Balance Sheets as of March 31, 2012 and December 31, 2011, (iii) the Condensed Consolidated Statements of Cash Flows for the three months ended March 31, 2012 and 2011, (iv) the Condensed Consolidated Statement of Changes in Stockholders' Equity for the three months ended March 31, 2012, and (v) Notes to Condensed Consolidated Financial Statements.

* A management contract or compensatory plan or arrangement.

**HUDSON GLOBAL, INC.
RESTRICTED STOCK AWARD AGREEMENT**

RESTRICTED STOCK AWARD AGREEMENT (“Agreement”) made as of the [DAY]th day of [MONTH], [YEAR] (the “Grant Date”), by and between **HUDSON GLOBAL, INC.**, a Delaware corporation (the “Company”) and «First_Name» «Last_Name» (the “Grantee”).

WITNESSETH:

WHEREAS, pursuant to the Hudson Global, Inc. 2009 Incentive Stock and Awards Plan (the “Plan”), the Company desires to grant to the Grantee and the Grantee desires to accept an award of shares of common stock, \$.001 par value, of the Company (the “Common Stock”) upon the terms and conditions set forth in this Agreement.

NOW, THEREFORE, the parties hereto agree as follows:

1. **Award.** Subject to the terms and conditions set forth herein, the Company hereby awards the Grantee «Number_Shares_Regular__Regular_SLT_Agre» shares of Common Stock (the “Restricted Stock”).

2. **Restrictions; Vesting.** Except as otherwise provided herein, the Restricted Stock may not be sold, transferred, pledged, encumbered, assigned or otherwise alienated or hypothecated, if at all, until such shares of Restricted Stock have vested upon satisfaction of both the performance vesting conditions and the service vesting conditions set forth below. The performance vesting conditions with respect to the Restricted Stock shall be satisfied as follows:

(a) 50.0% of the shares of Restricted Stock (the “Take-out Ratio Restricted Stock”) shall vest on the determination by the Committee that, for the year ending December 31, 201__, the [Company/Grantee’s region/Grantee’s business unit/Grantee’s group] achieved a “target” Take-out Ratio (as defined below) of [__], provided that 80.0% to 99.9% of the shares of Take-out Ratio Restricted Stock will vest if the Take-out Ratio is between [__] and [__] (such vesting percentage determined pro rata for Take-out Ratio achievement within such range), and a number of shares equal to 100.1% to 120.0% of the Take-out Ratio Restricted Stock will vest (in the case of a number of shares up to 100.0% of the Take-out Ratio Restricted Stock) or be granted (in the case of shares in excess of 100.0% of the Take-out Ratio Restricted Stock) if the Take-out Ratio is between [__] and [__] (such vesting percentage determined pro rata for Take-out Ratio achievement within such range), subject in each case to satisfaction of the service vesting conditions; and provided further that any such newly granted shares in excess of 100.0% of the Take-out Ratio Restricted Stock shall be deemed Restricted Stock subject to all of the terms and conditions of this Agreement;

(b) 25% of the shares of Restricted Stock (the “Employee Engagement Restricted Stock”) shall vest upon the determination by the Committee that the [Company/Grantee’s region/Grantee’s business unit/Grantee’s group] achieved for the year ending December 31, 201__ a “target” Employee Engagement Score (as defined below) of [__%]; provided that 80.0% to 99.9% of the shares of Employee Engagement Restricted Stock will vest if the Employee Engagement Score is between [__%] and [__%] (such vesting percentage determined pro rata for Employee Engagement Score achievement within such range), and a number of shares equal to 100.1% to 120.0% of the Employee Engagement Restricted Stock will vest (in the case of a number of shares up to 100.0% of the Employee Engagement Restricted Stock) or be granted (in the case of shares in excess of 100.0% of the Employee Engagement Restricted Stock) if the Employee Engagement Score is between [__%] and [__%] (such vesting percentage determined pro rata for Employee Engagement Score achievement within such range), subject in each case to satisfaction of the service vesting conditions; and provided further that any such newly granted shares in excess of 100.0% of the Employee Engagement Restricted Stock shall be deemed Restricted Stock subject to all of the terms and conditions of this Agreement; and

(c) 25% of the shares of Restricted Stock (the “Cash Efficiency Restricted Stock”) shall vest upon the determination by the Committee that the [Company/Grantee’s region/Grantee’s business unit/Grantee’s group] achieved for the year ending December 31, 201__ a “target” Cash Efficiency Score (as defined below) of [__]; provided that 80.0% to 99.9% of the shares of Cash Efficiency Restricted Stock will vest if the Cash Efficiency Score is between [__] and [__] (such vesting percentage determined pro rata for Cash Efficiency Score achievement within such range), and a number of shares equal to 100.1% to 120.0% of the Cash Efficiency Restricted Stock will vest (in the case of a number of shares up to 100.0% of the Cash Efficiency Restricted Stock) or be granted (in the case of shares in excess of 100.0% of the Cash Efficiency Restricted Stock) if the Cash Efficiency Score is between [__] and [__] (such vesting percentage determined pro rata for Cash Efficiency Score achievement within such range), subject in each case to satisfaction of the service vesting conditions; and provided further that any such newly granted shares in excess of 100.0% of the Cash Efficiency Restricted Stock shall be deemed Restricted Stock subject to all of the terms and conditions of this Agreement.

The Grantee shall forfeit the number of shares of Take-out Ratio Restricted Stock, Employee Efficiency Restricted Stock and Cash Efficiency Restricted Stock that do not vest or are not granted (subject to satisfaction of the service vesting conditions) pursuant to the preceding provisions. To the extent the performance vesting conditions above have been satisfied, the service vesting conditions with respect to the Restricted Stock shall be satisfied as follows: (i) 33% of the shares of Restricted Stock shall vest on the later of the determination of the satisfaction of the performance vesting conditions or the first anniversary of the Grant Date, (ii) 33% of the shares of Restricted Stock shall vest on the second anniversary of the Grant Date and (iii) 34% of the shares of Restricted Stock shall vest on the third anniversary of the Grant Date; provided that, in each case, the Grantee remains employed by the Company or an affiliate (as defined below) of the Company from the Grant Date through the applicable service vesting date. As used in this Agreement, the term "affiliate" means an affiliate of the Company within the meaning of Rule 405 under the Securities Act of 1933, as amended. If any fractional shares would result from the strict application of the incremental vesting percentages described above, then the actual number of shares of Restricted Stock that vest on any specific date will cover only the full number of shares determined by rounding the number of shares to be issued from the strict application of the incremental percentages set forth above to the nearest whole number.

For purposes of this Section 2, the following definitions apply:

(1) "Take-out Ratio" means the percentage of the direct, front line costs incurred for the year ending December 31, 201_ divided by the gross margin for the year ending December 31, 201_, in each case as determined by the Committee.

(2) "Employee Engagement Score" means the employee engagement score for the year ending December 31, 201_, based on a survey to be conducted by AonHewitt applying the same methodology as was applied in the employee engagement survey conducted for the prior year, as determined by the Committee.

(3) "Cash Efficiency Score" means (i) cash flow from operations for the year ending December 31, 201_ divided by (ii) gross margin minus selling, general and administrative expenses for the year ending December 31, 201_, in each case as determined by the Committee.

3. **Evidence of Restricted Stock.** The shares of Restricted Stock awarded under this Agreement initially will be evidenced by book entries on the Company's stock transfer records. If and when the shares of Restricted Stock vest pursuant to Section 2, 5 or 8 and the restrictions imposed by Section 2 terminate, the Company will deliver to the Grantee one or more stock certificates for the appropriate number of shares, free of any restrictions imposed under this Agreement.

4. **Tax Withholding.** Notwithstanding anything herein to the contrary, certificates for shares of Restricted Stock that have vested shall not be delivered to the Grantee unless and until the Grantee has delivered to the Executive Vice President, Human Resources of the Company (or such other executive officer of the Company performing a similar function), at its corporate headquarters in New York, New York, cash payment, if any, deemed necessary by the Company to enable it to satisfy any federal, foreign or other tax withholding obligations with respect to the shares of Restricted Stock that have vested (the "Tax Amount") (unless other arrangements acceptable to the Company in its sole discretion have been made). Notwithstanding anything herein to the contrary, in the event that a Grantee has not satisfied the conditions outlined in the immediately preceding sentence within twenty (20) days after the shares of Restricted Stock have vested, the Company may (but shall not be required to), in its sole discretion, at any time by notice to the Grantee, choose to satisfy the conditions outlined in the immediately preceding sentence by unilaterally revoking the Grantee's right to receive that number of shares of Restricted Stock that have vested with an aggregate value equal to 150% of the Tax Amount. For purposes of the preceding sentence, each share of Restricted Stock shall be deemed to have a value equal to the average closing price of a share of the Common Stock on the Nasdaq Global Market (or such other U.S. exchange or market on which the Common Stock is then primarily traded) on the five (5) trading days up to and including the date of vesting. The Company may from time to time change (or provide alternatives to) the method of tax withholding on the Restricted Stock granted hereunder by notice to the Grantee, it being understood that from and after such notice the Grantee will be bound by the method (or alternatives) specified in any such notice. The Company (in its sole and absolute discretion) may permit all or part of the Tax Amount to be paid with shares of Common Stock owned by the Grantee, or in installments (together with interest) evidenced by the Grantee's secured promissory note.

5. **Termination of Employment.** If the Grantee's employment or service with the Company or its Affiliates is terminated for any reason other than death, including but not limited to by reason of disability, then the shares of Restricted Stock that have not yet become fully vested in accordance with Section 2 will automatically be forfeited by the Grantee (or the Grantee's successors) and any book entry with respect thereto will be canceled. If the Grantee's employment terminates by reason of the Grantee's death, then the shares of Restricted Stock that have not yet become fully vested as a result of a service vesting condition contained in Section 2 not being satisfied will automatically become fully vested and the restrictions imposed upon the Restricted Stock by Section 2 will be immediately deemed to have lapsed, but only if and to the extent that the performance vesting conditions contained in Section 2 shall have been achieved on or prior to the date of such termination of employment.

6. **Voting Rights; Dividends and Other Distributions.**

(a) While the Restricted Stock is subject to restrictions under Section 2 and prior to any forfeiture thereof, the Grantee may exercise full voting rights for the Restricted Stock registered in his name.

(b) While the Restricted Stock is subject to the restrictions under Section 2 and prior to any forfeiture thereof, the Grantee shall be entitled to receive all dividends and other distributions paid with respect to the Restricted Stock. If any such dividends or distributions are paid in shares of Common Stock, then such shares shall be subject to the same restrictions as the shares of Restricted Stock with respect to which they were paid.

(c) Subject to the provisions of this Agreement, the Grantee shall have, with respect to the Restricted Stock, all other rights of holders of Common Stock.

7. **Securities Law Restrictions.** Notwithstanding anything herein to the contrary, shares of Restricted Stock shall not be issued hereunder if, in the opinion of counsel to the Company, such exercise and/or issuance may result in a violation of federal or state securities laws or the securities laws of any other relevant jurisdiction.

8. **Change in Control.** Effective upon a Change in Control (as defined in the Plan), if the Grantee is employed by the Company or an Affiliate immediately prior to the date of such Change in Control, the shares of Restricted Stock will fully vest and the restrictions imposed upon the Restricted Stock by Section 2 will be immediately deemed to have lapsed.

9. **No Employment Rights.** Nothing in this Agreement shall give the Grantee any right to continue in the employment of the Company or any Affiliate, or interfere in any way with the right of the Company or any Affiliate to terminate the employment of the Grantee.

10. **Plan Provisions.** The provisions of the Plan shall govern if and to the extent that there are inconsistencies between those provisions and the provisions hereof. The Grantee acknowledges receipt of a copy of the Plan prior to the execution of this Agreement. Capitalized terms used in this Agreement but not defined herein shall have the meaning given to them in the Plan.

11. **Administration.** The Committee will have full power and authority to interpret and apply the provisions of this Agreement and act on behalf of the Company and the Board in connection with this Agreement, and the decision of the Committee as to any matter arising under this Agreement shall be binding and conclusive as to all persons.

12. **Binding Effect; Headings.** This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and permitted assigns. The subject headings of Sections of this Agreement are included for the purpose of convenience only and shall not affect the construction or interpretation of any of its provisions. All references in this Agreement to "\$" or "dollars" are to United States dollars.

13. **Employee Handbook and Arbitration Agreements.** As a material inducement to the Company to grant this award of Restricted Stock and to enter into this Agreement, the Grantee hereby expressly agrees to (a) comply with and abide by the terms and conditions of, and rules relating to, such Grantee's employment with the Company or an Affiliate set forth in the applicable employee handbook and (b) be bound by the terms and provisions of any arbitration or similar agreement to which the Grantee is or becomes a party with the Company or an Affiliate.

14. **Confidentiality, Non-Solicitation and Work Product Assignment.** As a material inducement to the Company to grant this award of Restricted Stock and enter into this Agreement, the Grantee hereby expressly agrees to be bound by the following covenants, terms and conditions:

(a) **Definition.** “Confidential Information” consists of all information or data relating to the business of the Company, including but not limited to, business and financial information; new product development and technological data; personnel information and the identities of employees; the identities of clients and suppliers and prospective clients and suppliers; client lists and potential client lists; development, expansion and business strategies, plans and techniques; computer programs, devices, methods, techniques, processes and inventions; research and development activities; trade secrets as defined by applicable law and other materials (whether in written, graphic, audio, visual, electronic or other media, including computer software) developed by or on behalf of the Company which is not generally known to the public, which the Company has and will take precautions to maintain as confidential, and which derives at least a portion of its value to the Company from its confidentiality. Additionally, Confidential Information includes information of any third party doing business with the Company (actively or prospectively) that the Company or such third party identifies as being confidential. Confidential Information does not include any information that is in the public domain or otherwise publicly available (other than as a result of a wrongful act by the Grantee or an agent or other employee of the Company). For purposes of this Section 14, the term “the Company” also refers to each of its officers, directors, employees and agents, all subsidiary and affiliated entities, all benefit plans and benefit plans’ sponsors and administrators, fiduciaries, affiliates, and all successors and assigns of any of them.

(b) **Agreement to Maintain the Confidentiality of Confidential Information.** The Grantee acknowledges that, as a result of his/her employment by the Company, he/she will have access to such Confidential Information and to additional Confidential Information which may be developed in the future. The Grantee acknowledges that all Confidential Information is the exclusive property of the Company, or in the case of Confidential Information of a third party, of such third party. The Grantee agrees to hold all Confidential Information in trust for the benefit of the owner of such Confidential Information. The Grantee further agrees that he/she will use Confidential Information for the sole purpose of performing his/her work for the Company, and that during his/her employment with the Company, and at all times after the termination of that employment for any reason, the Grantee will not use for his/her benefit, or the benefit of others, or divulge or convey to any third party any Confidential Information obtained by the Grantee during his/her employment by the Company, unless it is pursuant to the Company’s prior written permission.

(c) **Return of Property.** The Grantee acknowledges that he/she has not acquired and will not acquire any right, title or interest in any Confidential Information or any portion thereof. The Grantee agrees that upon termination of his/her employment for any reason, he/she will deliver to the Company immediately, but in no event later than the last day of his/her employment, all documents, data, computer programs and all other materials, and all copies thereof, that were obtained or made by the Grantee during his/her employment with the Company, which contain or relate to Confidential Information and will destroy all electronically stored versions of the foregoing.

(d) **Disclosure and Assignment of Inventions and Creative Works.** The Grantee agrees to promptly disclose in writing to the Company all inventions, ideas, discoveries, developments, improvements and innovations (collectively “Inventions”), whether or not patentable and all copyrightable works, including but limited to computer software designs and programs (“Creative Works”) conceived, made or developed by the Grantee, whether solely or together with others, during the period the Grantee is employed by the Company. The Grantee agrees that all Inventions and all Creative Works, whether or not conceived or made during working hours, that: (1) relate directly to the business of the Company or its actual or demonstrably anticipated research or development, or (2) result from the Grantee’s work for the Company, or (3) involve the use of any equipment, supplies, facilities, Confidential Information, or time of the Company, are the exclusive property of the Company. The Grantee hereby assigns and agrees to assign all right, title and interest in and to all such Inventions and Creative Works to the Company. The Grantee understands that he/she is not required to assign to the Company any Invention or Creative Work for which no equipment, supplies, facilities, Confidential Information or time of the Company was used, unless such Invention or Creative Work relates directly to the Company’s business or actual or demonstrably anticipated research and development, or results from any work performed by the Grantee for the Company.

(e) **Non-Solicitation of Clients.** During the period of the Grantee’s employment with the Company and for a period of one year from the date of termination of such employment for any reason, the Grantee agrees that he/she will not, directly or indirectly, for the Grantee’s benefit or on behalf of any person, corporation, partnership or entity whatsoever, call on, solicit, perform services for, interfere with or endeavor to entice away from the Company any client to whom the Company provides services at any time during the 12 month period preceding the date of termination of the Grantee’s employment with the Company, or any prospective client to whom the Company had made a presentation at any time during the 12 month period preceding the date of termination of the Grantee’s employment with the Company.

(f) **Non-Solicitation of Employees.** For a period of one year after the date of termination of the Grantee’s employment with the Company for any reason, the Grantee agrees that he/she will not, directly or indirectly, hire, attempt to hire, solicit for employment or encourage the departure of any employee of the Company, to leave employment with the Company, or any individual who was employed by the Company as of the last day of the Grantee’s employment with the Company.

(g) **Enforcement.** If, at the time of enforcement of this Section 14, a court holds that any of the restrictions stated herein are unreasonable under circumstances then existing, the parties hereto agree that the maximum period, scope or geographical area deemed reasonable under such circumstances will be substituted for the stated period, scope or area as contained in this Section 14. Because money damages would be an inadequate remedy for any breach of the Grantee's obligations under this Agreement, in the event the Grantee breaches or threatens to breach this Section 14, the Company, or any successors or assigns, may, in addition to other rights and remedies existing in its favor, apply to any court of competent jurisdiction for specific performance, or injunctive or other equitable relief in order to enforce or prevent any violations of this Section 14.

(h) **Miscellaneous.** The Grantee acknowledges and agrees that the provisions of this Section 14 are in addition to, and not in lieu of, any confidentiality, non-solicitation, work product assignment and/or similar obligations that the Grantee may have with respect to the Company and/or its Affiliates, whether by agreement, fiduciary obligation or otherwise and that the grant and the vesting of the Restricted Stock contemplated by this Agreement are expressly made contingent on the Grantee's compliance with the provisions of this Section 14. Without in any way limiting the provisions of this Section 14, the Grantee further acknowledges and agrees that the provisions of this Section 14 shall remain applicable in accordance with their terms after the Grantee's termination of employment with the Company, regardless of whether (1) the Grantee's termination or cessation of employment is voluntary or involuntary or (2) the Restricted Stock has not or will not vest.

15. **Applicable Law.** This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, without regard to conflict of law principles thereof. This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and controls and supersedes any prior understandings, agreements or representations by or between the parties, written or oral with respect to its subject matter and may not be modified except by written instrument executed by the parties. The Grantee has not relied on any representation not set forth in this Agreement.

IN WITNESS WHEREOF, this Agreement has been executed as of the date first above written.

HUDSON GLOBAL, INC.

By: _____
Name:
Title:

Grantee – Signature

Grantee – Print Name

**Summary of Hudson Global, Inc.
Compensation for Non-employee Members of the Board of Directors**

The Company's policy of compensation for the non-employee members of the Board of Directors effective as of April 26, 2012 is as follows:

Each non-employee director is entitled to receive an annual cash retainer of \$25,000, \$65,000 paid in share units that are deferred to a retirement account until the director ceases board service, a cash fee of \$2,000 for each Board and Board committee meeting attended in person and a cash fee of \$1,000 for each telephonic Board and Board committee meeting in which the director participates. The Chairmen of the Audit Committee and the Compensation Committee receive an additional annual cash retainer of \$10,000 and the Chairmen of the Nominating and Governance Committee and the Human Resources Committee receive an additional annual cash retainer of \$5,000. The lead director also receives an additional annual cash retainer of \$20,000. Additionally, directors are reimbursed for out-of-pocket expenses associated with attending meetings of the Board and Board committees.

**HUDSON GLOBAL, INC.
DIRECTOR DEFERRED SHARE PLAN
As Amended and Restated April 26, 2012**

**ARTICLE 1.
PURPOSE AND EFFECTIVE DATE**

Section 1.1. Purpose. The purpose of the Hudson Global, Inc. Director Deferred Share Plan is to advance the Company's growth and success, and to advance the interests of its shareholders, by attracting and retaining well-qualified Outside Directors upon whose judgment the Company is largely dependent for the successful conduct of its operations and by providing such individuals with incentives to put forth maximum effort for the long-term success of the Company's business by aligning their interests more closely with the interests of stockholders.

Section 1.2. Effective Date. The Plan became effective on January 29, 2008, and the Plan was amended and restated effective April 26, 2012.

**ARTICLE 2.
DEFINITIONS AND CONSTRUCTION**

Section 2.1. Definitions. Wherever used in the Plan, the following terms shall have the meanings set forth below and, when the meaning is intended, the initial letter of the word is capitalized. Other capitalized terms used in this Plan, but not defined below, have the meaning given in the Long Term Incentive Plan for Share Units awarded prior to May 12, 2009 and the 2009 Incentive Stock and Awards Plan for Share Units awarded on or after May 12, 2009.

(a) "2009 Incentive Stock and Awards Plan" means the Hudson Global, Inc. 2009 Incentive Stock and Awards Plan, as from time to time amended and in effect.

(b) "Affiliate" means each entity that is required to be included in the Company's controlled group of corporations within the meaning of Code Section 414(b), or that is under common control with the Company within the meaning of Code Section 414(c); *provided* that for purposes of determining whether a Participant has incurred a Separation from Service, the phrase "at least 50 percent" shall be used in place of the phrase "at least 80 percent" in each place that phrase appears in the regulations issued thereunder.

(c) "Beneficiary" means the person or persons entitled to receive the interest of a Participant in the event of the Participant's death as provided in Section 6.1(b).

(d) “Long Term Incentive Plan” means the Hudson Global, Inc. Long Term Incentive Plan, as from time to time amended and in effect.

(e) “Outside Director” means a member of the Board who is not an officer or employee of the Company or an Affiliate.

(f) “Participant” means each Outside Director who has a Retirement Account under the Plan. Where the context so requires, a Participant also means a former director who is entitled to a benefit under the Plan.

(g) “Plan” means the arrangement described herein, as from time to time amended and in effect.

(h) “Retirement Account” means the record keeping account maintained to record the interest of each Participant under the Plan.

(i) “Separation from Service” means a Participant’s cessation of service as a Board member, for any reason, provided the cessation of service is a good-faith and complete termination of the Participant’s relationship with the Company and its Affiliates, within the meaning of Code Section 409A. If, at the time the Participant’s service as a Board member ends, the Participant begins providing services to the Company or an Affiliate as an employee, the Participant shall not incur a Separation from Service under the terms of the Plan until the Participant has a separation from service from the Company or an Affiliate as an employee within the meaning of Code Section 409A.

(j) “Share Units” means the hypothetical shares of Common Stock that are credited to the Participant’s Retirement Account in accordance with Article 5.

Section 2.2. Construction. Wherever any words are used in the masculine, they shall be construed as though they were used in the feminine in all cases where they would so apply; and wherever any words are used in the singular or the plural, they shall be construed as though they were used in the plural or the singular, as the case may be, in all cases where they would so apply. Titles of articles and sections are for general information only, and the Plan is not to be construed by reference to such items.

Section 2.3. Severability. In the event any provision of the Plan is held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining parts of the Plan, and the Plan shall be construed and enforced as if the said illegal or invalid provision had not been included.

ARTICLE 3. **ADMINISTRATION**

The Plan is considered an “Other Equity-Based Award” granted pursuant to Section 9 of the Long Term Incentive Plan and an “Other Stock-Based Award” granted pursuant to Section 12 of the 2009 Incentive Stock and Awards Plan. Accordingly, the Plan is subject to all of the provisions of (i) the Long Term Incentive Plan, including but not limited to, the administration provisions thereof, for Share Units awarded prior to May 12, 2009 and (ii) the 2009 Incentive Stock and Awards Plan, including but not limited to, the administration provisions thereof, for Share Units awarded on or after May 12, 2009.

ARTICLE 4.
PARTICIPATION

Each Outside Director on the effective date of the Plan shall automatically become a Participant on the effective date. Each other Outside Director shall automatically become a Participant on the date the individual is first elected to become an Outside Director. Each Board member who is not an Outside Director but later becomes an Outside Director (because such individual terminates employment with the Company and its Affiliates but remains on the Board) shall automatically become a Participant on the date such individual is first considered an Outside Director.

ARTICLE 5.
RETIREMENT ACCOUNTS

Section 5.1. Credits to Retirement Account. Each Participant shall have a Retirement Account established under this Plan on his behalf. A Participant's Retirement Account shall be credited with Share Units as follows:

(a) Annual Credit of Share Units. On the date of each annual meeting of the Company's stockholders, the Retirement Account of each Participant who is then an Outside Director shall be credited with a number of Share Units as determined by the Board. Share Units credited to a Participant's Retirement Account under this subsection (a) shall be 100% vested.

(b) Dividends. Whenever the Company declares a dividend on its shares of Common Stock, in cash or in property, at a time when a Participant has Share Units credited to his Retirement Account, a dividend equivalent award shall be made to such Participant as of the date of payment of the dividend. The dividend equivalent award for a Participant shall be determined by multiplying the Share Units credited to the Participant's Account as of the date the dividend is declared by the amount or Fair Market Value of the dividend paid or distributed on one share of Common Stock. The dividend equivalent award shall be credited to the Participant's Retirement Account by converting such award into additional Share Units by dividing the amount of the dividend award by the Fair Market Value of a share of Common Stock on the date the dividend is paid. Any other provision of this Plan to the contrary notwithstanding, if a dividend is declared on shares of Common Stock in the form of a right or rights to purchase shares of capital stock of the Company or of any entity acquiring the Company, such dividend equivalent award shall not be credited to the Participant's Retirement Account, but each Share Unit credited to a Participant's Retirement Account at the time such dividend is paid, and each Share Unit thereafter credited to the Participant's Retirement Account at a time when such rights are attached to shares of Common Stock, shall thereafter be valued as of any point in time on the basis of the aggregate of the then Fair Market Value of one share of Common Stock plus the then Fair Market Value of such right or rights then or previously attached to one share of Common Stock. Each additional Share Unit credited pursuant to this subsection (c) shall be vested in the same time and manner as the initial Share Unit to which it relates.

Section 5.2. Accounts are For Record Keeping Purposes Only. Retirement Accounts and the record keeping procedures described herein serve solely as a device for determining the amount of benefits accumulated by a Participant under the Plan, and shall not constitute or imply an obligation on the part of the Company to fund such benefits.

Section 5.3. No Shareholder Rights With Respect to Share Units. Participants shall have no rights as a stockholder pertaining to Share Units credited to their Retirement Accounts.

ARTICLE 6.
PAYMENT

Section 6.1. Distributions.

(a) Distributions at Separation from Service. Within ninety (90) days following a Participant's Separation from Service for any reason, the Participant (or his Beneficiary, in the event of the Participant's death prior to receipt of payment), shall be entitled to a distribution of a number of whole shares of Common Stock equal to the number of vested whole Share Units credited to the Participant's Retirement Account. Any vested fractional Share Unit shall be paid in cash, based on the Fair Market Value of share as determined on the date preceding the date payment is made.

(b) Beneficiary Designation. Each Participant may designate a Beneficiary in such form and manner and within such time periods as the Committee may prescribe. A Participant can change his beneficiary designation at any time, provided that each beneficiary designation shall revoke the most recent designation, and the last designation received by the Committee while the Participant is alive shall be given effect. If a Participant designates a Beneficiary without providing in the designation that the Beneficiary must be living at the time of distribution, the designation shall vest in the Beneficiary all of the distribution payable after the Participant's death, and any distribution remaining upon the Beneficiary's death shall be made to the Beneficiary's estate. If there is no valid beneficiary designation in effect at the time of the Participant's death, if the Beneficiary does not survive the Participant, or if the beneficiary designation provides that the Beneficiary must be living at the time of distribution and such designated Beneficiary does not survive to the distribution date, the Participant's estate will be deemed the Beneficiary and will be entitled to receive payment. If a Participant designates his spouse as a Beneficiary, such beneficiary designation automatically shall become null and void on the date the Committee receives notice of the Participant's divorce.

Section 6.2. Offset. The Company shall have the right to offset from any amount payable hereunder any amount that the Participant owes to the Company or to any Affiliate without the consent of the Participant (or his Beneficiary, in the event of the Participant's death).

Section 6.3. Additional Payment Provisions

(a) Acceleration of Payment. Notwithstanding the foregoing:

- (1) If an amount deferred under this Plan is required to be included in income under Code Section 409A prior to the date such amount is actually distributed, a Participant shall receive a distribution, in a lump sum within ninety (90) days after the date the Plan fails to meet the requirements of Code Section 409A, of the amount required to be included in the Participant's income as a result of such failure.
- (2) If a vested amount under the Plan is required to be distributed in a lump sum under a domestic relations order within the meaning of Code Section 414(p)(1)(B), it may be distributed according to the terms of such order, provided the Participant holds the Committee harmless with respect to such distribution. The Plan shall not distribute amounts required to be distributed under a domestic relations order other than in the limited circumstance specifically stated herein.

(b) Delay in Payment. Notwithstanding the foregoing:

- (1) If a distribution required under the terms of this Plan would jeopardize the ability of the Company to continue as a going concern, the Company shall not be required to make such distribution. Rather, the distribution shall be delayed until the first date that making the distribution does not jeopardize the ability of the Company to continue as a going concern. Any distribution delayed under this provision shall be treated as made on the date specified under the terms of this Plan.
- (2) If a distribution will violate the terms of Section 16(b) of the Exchange Act or other Federal securities laws, or any other applicable law, then the distribution shall be delayed until the earliest date on which making the distribution will not violate such law.

ARTICLE 7.
TERMS AND CONDITIONS

Section 7.1. No Funding. No stock, cash or other property will be deliverable to a Participant or his or her Beneficiary in respect of the Participant's Retirement Account until the date or dates identified pursuant to Article 6, and all Retirement Accounts shall be reflected in one or more unfunded accounts established for the Participant by the Company. Payment of the Company's obligation will be from general funds, and no special assets (stock, cash or otherwise) have been or will be set aside as security for this obligation, unless otherwise provided by the Committee. The right of a Participant or Beneficiary to receive payments under this Plan is that of a general, unsecured creditor of the Company, and the obligation of the Company to make payments constitutes a mere promise by the Company to pay such benefits in the future. Further, the arrangements contemplated by this Plan are intended to be unfunded for tax purposes and for purposes of Title I of ERISA.

Section 7.2. No Transfers. Except as permitted by Section 6.1(b), a Participant's rights to payments under this Plan are not subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance by a Participant or his Beneficiary, or garnishment by a Participant's creditors or the creditors of his or her beneficiaries, whether by operation of law or otherwise, and any attempted sale, transfer, assignment, pledge, or encumbrance with respect to such payment shall be null and void, and shall be without legal effect and shall not be recognized by the Company.

Section 7.3. Retention as Director. Nothing contained in the Plan shall interfere with or limit in any way the right of the shareholders of the Company to remove any Director from the Board, nor confer upon any Director any right to continue in the service of Company as a Director.

ARTICLE 8.
TERMINATION AND AMENDMENT OF PLAN

The Plan may be amended or terminated as provided in the 2009 Incentive Stock and Awards Plan. Upon termination of the Plan, the Committee may authorize that all Retirement Accounts be paid in a lump sum, including to a Participant that has not yet experienced a Separation from Service, only in the circumstances permitted by Code Section 409A.

CERTIFICATIONS

I, Manuel Marquez Dorsch, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Hudson Global, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: May 2, 2012

/s/ MANUEL MARQUEZ DORSCH
Manuel Marquez Dorsch
Chairman and Chief Executive Officer

CERTIFICATIONS

I, Mary Jane Raymond, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Hudson Global, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: May 2, 2012

/s/ MARY JANE RAYMOND

Mary Jane Raymond

Executive Vice President and Chief Financial Officer

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

Solely for the purposes of complying with 18 U.S.C. Section 1350, I, the undersigned Executive Vice President and Chief Financial Officer of Hudson Global, Inc. (the "Company"), hereby certify, based on my knowledge, that the Quarterly Report on Form 10-Q of the Company for the quarter ended March 31, 2012 (the "Report") fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 and that information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ MARY JANE RAYMOND

Mary Jane Raymond

May 2, 2012

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

Solely for the purposes of complying with 18 U.S.C. Section 1350, I, the undersigned Chairman of the Board and Chief Executive Officer of Hudson Global, Inc. (the "Company"), hereby certify, based on my knowledge, that the Quarterly Report on Form 10-Q of the Company for the quarter ended March 31, 2012 (the "Report") fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 and that information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ MANUEL MARQUEZ DORSCH

Manuel Marquez Dorsch

May 2, 2012
