

KELLY SERVICES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS

	<u>2019</u>	<u>2018</u>	<u>2017</u>
	(In millions of dollars except per share items)		
Revenue from services	\$ 5,355.6	\$ 5,513.9	\$ 5,374.4
Cost of services	<u>4,387.2</u>	<u>4,541.7</u>	<u>4,420.3</u>
Gross profit	968.4	972.2	954.1
Selling, general and administrative expenses	883.1	884.8	870.8
Gain on sale of assets	(12.3)	—	—
Asset impairment charge	<u>15.8</u>	<u>—</u>	<u>—</u>
Earnings from operations	81.8	87.4	83.3
Gain (loss) on investment in Persol Holdings	35.8	(96.2)	—
Other income (expense), net	<u>(1.2)</u>	<u>(0.6)</u>	<u>(1.6)</u>
Earnings (loss) before taxes and equity in net earnings (loss) of affiliate	116.4	(9.4)	81.7
Income tax expense (benefit)	<u>0.4</u>	<u>(27.1)</u>	<u>12.8</u>
Net earnings before equity in net earnings (loss) of affiliate	116.0	17.7	68.9
Equity in net earnings (loss) of affiliate	<u>(3.6)</u>	<u>5.2</u>	<u>2.7</u>
Net earnings	<u><u>\$ 112.4</u></u>	<u><u>\$ 22.9</u></u>	<u><u>\$ 71.6</u></u>
Basic earnings per share	\$ 2.85	\$ 0.59	\$ 1.84
Diluted earnings per share	\$ 2.84	\$ 0.58	\$ 1.81
Average shares outstanding (millions):			
Basic	39.1	38.8	38.3
Diluted	39.2	39.1	39.0

See accompanying Notes to Consolidated Financial Statements.

KELLY SERVICES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	<u>2019</u>	<u>2018</u>
	(In millions of dollars)	
Assets		
Current Assets		
Cash and equivalents	\$ 25.8	\$ 35.3
Trade accounts receivable, less allowances of \$12.9 million and \$13.2 million, respectively	1,282.2	1,293.3
Prepaid expenses and other current assets	76.5	71.9
Properties held for sale	21.2	—
Total current assets	<u>1,405.7</u>	<u>1,400.5</u>
Noncurrent Assets		
Property and equipment:		
Property and equipment	225.8	294.7
Accumulated depreciation	(182.7)	(208.4)
Net property and equipment	43.1	86.3
Operating lease right-of-use assets	60.4	—
Deferred taxes	229.1	198.7
Goodwill, net	127.8	107.3
Investment in Persol Holdings	173.2	135.1
Investment in equity affiliate	117.2	121.3
Other assets	324.1	265.2
Total noncurrent assets	<u>1,074.9</u>	<u>913.9</u>
Total Assets	<u><u>\$ 2,480.6</u></u>	<u><u>\$ 2,314.4</u></u>

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KELLY SERVICES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	<u>2019</u>	<u>2018</u>
	(In millions of dollars)	
Liabilities and Stockholders' Equity		
Current Liabilities		
Short-term borrowings	\$ 1.9	\$ 2.2
Accounts payable and accrued liabilities	503.6	540.6
Operating lease liabilities	20.1	—
Accrued payroll and related taxes	267.6	266.0
Accrued workers' compensation and other claims	25.7	26.0
Income and other taxes	65.2	62.7
Total current liabilities	884.1	897.5
Noncurrent Liabilities		
Operating lease liabilities	43.3	—
Accrued workers' compensation and other claims	45.8	50.5
Accrued retirement benefits	187.4	162.9
Other long-term liabilities	55.5	44.0
Total noncurrent liabilities	332.0	257.4
Commitments and contingencies (See Commitments and Contingencies footnotes)		
Stockholders' Equity		
Capital stock, \$1.00 par value		
Class A common stock, 100.0 million shares authorized; 36.6 million shares issued at 2019 and 2018	36.6	36.6
Class B common stock, 10.0 million shares authorized; 3.5 million shares issued at 2019 and 2018	3.5	3.5
Treasury stock, at cost		
Class A common stock, 1.0 million shares at 2019 and 1.2 million at 2018	(20.3)	(25.4)
Class B common stock	(0.6)	(0.6)
Paid-in capital	22.5	24.4
Earnings invested in the business	1,238.6	1,138.1
Accumulated other comprehensive income (loss)	(15.8)	(17.1)
Total stockholders' equity	1,264.5	1,159.5
Total Liabilities and Stockholders' Equity	<u>\$ 2,480.6</u>	<u>\$ 2,314.4</u>

See accompanying Notes to Consolidated Financial Statements.

KELLY SERVICES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	2019	2018	2017
	(In millions of dollars)		
Cash flows from operating activities:			
Net earnings	\$ 112.4	\$ 22.9	\$ 71.6
Adjustments to reconcile net earnings to net cash from operating activities:			
Depreciation and amortization	31.6	26.2	22.7
Operating lease asset amortization	22.3	—	—
Provision for bad debts	4.1	3.0	5.6
Stock-based compensation	5.6	8.1	9.1
Deferred income taxes	(18.3)	(47.5)	(5.9)
(Gain) loss on investment in Persol Holdings	(35.8)	96.2	—
(Gain) on sale of assets	(12.3)	—	—
Asset impairment charge	15.8	—	—
Equity in net (earnings) loss of PersolKelly Asia Pacific	3.6	(5.2)	(2.7)
Other, net	(0.4)	(0.8)	0.2
Changes in operating assets and liabilities, net of acquisitions	(26.4)	(41.5)	(29.8)
Net cash from operating activities	102.2	61.4	70.8
Cash flows from investing activities:			
Capital expenditures	(20.0)	(25.6)	(24.6)
Acquisition of companies, net of cash received	(86.4)	—	(37.2)
Investment in equity securities	(1.0)	(5.0)	—
Loans to equity affiliate	(4.4)	(7.0)	0.6
Proceeds from sale of assets	13.8	—	—
Proceeds from company-owned life insurance	3.0	7.9	—
Other investing activities	0.7	(0.1)	0.2
Net cash used in investing activities	(94.3)	(29.8)	(61.0)
Cash flows from financing activities:			
Net change in short-term borrowings	(0.3)	(7.8)	10.1
Financing lease payments	(0.7)	—	—
Dividend payments	(11.9)	(11.8)	(11.6)
Payments of tax withholding for restricted shares	(2.5)	(6.9)	(1.8)
Other financing activities	(0.7)	—	(0.1)
Net cash used in financing activities	(16.1)	(26.5)	(3.4)
Effect of exchange rates on cash, cash equivalents and restricted cash	(0.9)	(1.9)	(3.8)
Net change in cash, cash equivalents and restricted cash	(9.1)	3.2	2.6
Cash, cash equivalents and restricted cash at beginning of year	40.1	36.9	34.3
Cash, cash equivalents and restricted cash at end of year ⁽¹⁾	\$ 31.0	\$ 40.1	\$ 36.9