

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

FORM 8-K

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

Date of Report (Date of earliest event reported): February 17, 2017

KELLY SERVICES, INC.

(Exact name of Registrant as specified in its charter)

DELAWARE
(State or other
jurisdiction of
incorporation)

0-1088
(Commission
File Number)

38-1510762
(IRS Employer
Identification
Number)

999 WEST BIG BEAVER ROAD, TROY, MICHIGAN 48084

(Address of principal executive offices)
(Zip Code)

(248) 362-4444

(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02. Results of Operations and Financial Condition

Kelly Services, Inc. (the "Company") today filed its annual report on Form 10-K for the year ended January 1, 2017. The Company has updated materials previously filed on Form 8-K on February 2, 2017 to conform to the Form 10-K information. We are updating this information because subsequent to February 2, 2017, the Company recorded an adjustment related to the Outsourcing and Consulting Group ("OCG") segment selling, general and administrative ("SG&A") expenses for certain aged accounts receivable at its subsidiary in Germany. The effect of the update was to decrease net earnings by \$1.8 million during the fourth quarter of 2016.

A copy of the updated financial information is attached as exhibits 99.1 and 99.2 herein.

Item 9.01. Financial Statements and Exhibits

(d) Exhibits

- 99.1 Revised financial information for year end January 1, 2017.
- 99.2 Revised presentation materials for year end January 1, 2017.

SIGNATURES

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

February 17, 2017

KELLY SERVICES, INC.

/s/ Olivier G. Thiro
Olivier G. Thiro

Senior Vice President and Chief Financial
Officer
(Principal Financial Officer)

February 17, 2017

/s/ Laura S. Lockhart
Laura S. Lockhart

Vice President, Corporate Controller and
Chief Accounting Officer
(Principal Accounting Officer)

EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Description</u>
99.1	Revised financial information for year end January 1, 2017.
99.2	Revised presentation materials for year end January 1, 2017.

KELLY SERVICES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS
FOR THE 13 WEEKS ENDED JANUARY 1, 2017 AND 14 WEEKS ENDED JANUARY 3, 2016
(UNAUDITED)

(In millions of dollars except per share data)

	<u>2016</u>	<u>2015</u>	<u>Change</u>	<u>% Change</u>	<u>CC % Change</u>
Revenue from services	\$ 1,304.4	\$ 1,461.6	\$ (157.2)	(10.8) %	(10.1) %
Cost of services	<u>1,076.4</u>	<u>1,212.1</u>	<u>(135.7)</u>	(11.2)	
Gross profit	228.0	249.5	(21.5)	(8.6)	(8.1)
Selling, general and administrative expenses	<u>208.2</u>	<u>223.0</u>	<u>(14.8)</u>	(6.7)	(6.2)
Earnings from operations	19.8	26.5	(6.7)	(25.2)	
Other income (expense), net	<u>0.7</u>	<u>(0.7)</u>	<u>1.4</u>	204.1	
Earnings before taxes and equity in net earnings (loss) of affiliate	20.5	25.8	(5.3)	(20.8)	
Income tax expense (benefit)	<u>1.8</u>	<u>(8.4)</u>	<u>10.2</u>	121.4	
Net earnings before equity in net earnings (loss) of affiliate	18.7	34.2	(15.5)	(45.4)	
Equity in net earnings (loss) of affiliate	<u>1.1</u>	<u>—</u>	<u>1.1</u>	NM	
Net earnings	<u>\$ 19.8</u>	<u>\$ 34.2</u>	<u>\$ (14.4)</u>	(42.0) %	
Basic earnings per share	\$ 0.51	\$ 0.88	\$ (0.37)	(42.0) %	
Diluted earnings per share	\$ 0.51	\$ 0.88	\$ (0.37)	(42.0) %	

STATISTICS:

Gross profit rate	17.5 %	17.1 %	0.4 pts.
Selling, general and administrative expenses:			
% of revenue	16.0	15.3	0.7
% of gross profit	91.3	89.4	1.9
% Return:			
Earnings from operations	1.5	1.8	(0.3)
Earnings before taxes and equity in net earnings (loss) of affiliate	1.6	1.8	(0.2)
Net earnings	1.5	2.3	(0.8)
Effective income tax rate	8.8 %	(32.4) %	41.2 pts.
Average number of shares outstanding (millions):			
Basic	38.2	38.0	
Diluted	38.6	38.0	
Shares adjusted for nonvested restricted awards (millions):			
Basic	38.9	38.9	
Diluted	39.2	38.9	

KELLY SERVICES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS
FOR THE 52 WEEKS ENDED JANUARY 1, 2017 AND 53 WEEKS ENDED JANUARY 3, 2016
(UNAUDITED)

(In millions of dollars except per share data)

	<u>2016</u>	<u>2015</u>	<u>Change</u>	<u>% Change</u>	<u>CC % Change</u>
Revenue from services	\$ 5,276.8	\$ 5,518.2	\$ (241.4)	(4.4) %	(3.2) %
Cost of services	4,370.5	4,597.9	(227.4)	(4.9)	
Gross profit	906.3	920.3	(14.0)	(1.5)	(0.5)
Selling, general and administrative expenses	843.1	853.6	(10.5)	(1.2)	(0.3)
Earnings from operations	63.2	66.7	(3.5)	(5.2)	
Gain on investment in TS Kelly Asia Pacific	87.2	—	87.2	NM	
Other expense, net	(0.7)	(3.5)	2.8	80.6	
Earnings before taxes and equity in net earnings (loss) of affiliate	149.7	63.2	86.5	136.8	
Income tax expense (benefit)	30.0	8.7	21.3	245.1	
Net earnings before equity in net earnings (loss) of affiliate	119.7	54.5	65.2	119.5	
Equity in net earnings (loss) of affiliate	1.1	(0.7)	1.8	251.9	
Net earnings	<u>\$ 120.8</u>	<u>\$ 53.8</u>	<u>\$ 67.0</u>	124.5 %	
Basic earnings per share	\$ 3.10	\$ 1.39	\$ 1.71	123.0 %	
Diluted earnings per share	\$ 3.08	\$ 1.39	\$ 1.69	121.6 %	

STATISTICS:

Gross profit rate	17.2 %	16.7 %	0.5 pts.
Selling, general and administrative expenses:			
% of revenue	16.0	15.5	0.5
% of gross profit	93.0	92.8	0.2
% Return:			
Earnings from operations	1.2	1.2	—
Earnings before taxes and equity in net earnings (loss) of affiliate	2.8	1.1	1.7
Net earnings	2.3	1.0	1.3
Effective income tax rate	20.0 %	13.7 %	6.3 pts.
Average number of shares outstanding (millions):			
Basic	38.1	37.8	
Diluted	38.4	37.9	
Shares adjusted for nonvested restricted awards (millions):			
Basic	38.9	38.8	
Diluted	39.2	38.9	

KELLY SERVICES, INC. AND SUBSIDIARIES
RESULTS OF OPERATIONS BY SEGMENT
(UNAUDITED)
(In millions of dollars)

Fourth Quarter

	2016	2015	%	CC %
	(13 Wks)	(14 Wks)	Change	Change
AMERICAS				
Commercial				
Revenue from services	\$ 660.4	\$ 696.1	(5.1) %	(4.7) %
Staffing fee-based income included in revenue from services	3.3	3.7	(11.6)	(11.1)
Gross profit	106.5	110.0	(3.2)	(2.8)
Gross profit rate	16.1 %	15.8 %	0.3 pts.	
PT				
Revenue from services	\$ 228.8	\$ 250.1	(8.5) %	(8.5) %
Staffing fee-based income included in revenue from services	4.2	4.5	(6.2)	(6.3)
Gross profit	38.4	43.0	(10.6)	(10.7)
Gross profit rate	16.8 %	17.2 %	(0.4) pts.	
Total Americas				
Revenue from services	\$ 889.2	\$ 946.2	(6.0) %	(5.7) %
Staffing fee-based income included in revenue from services	7.5	8.2	(8.7)	(8.5)
Gross profit	144.9	153.0	(5.3)	(5.0)
Total SG&A expenses	114.4	116.8	(2.0)	(2.1)
Earnings from operations	30.5	36.2	(15.7)	
Gross profit rate	16.3 %	16.2 %	0.1 pts.	
Expense rates:				
% of revenue	12.9	12.3	0.6	
% of gross profit	79.0	76.3	2.7	
Return on sales	3.4	3.8	(0.4)	
EMEA				
Commercial				
Revenue from services	\$ 199.1	\$ 200.5	(0.7) %	1.7 %
Staffing fee-based income included in revenue from services	3.1	3.3	(6.3)	(5.2)
Gross profit	26.4	27.5	(4.0)	(2.3)
Gross profit rate	13.3 %	13.7 %	(0.4) pts.	
PT				
Revenue from services	\$ 42.4	\$ 44.7	(5.3) %	(3.2) %
Staffing fee-based income included in revenue from services	2.4	2.4	1.9	3.6
Gross profit	8.6	9.4	(8.7)	(7.1)
Gross profit rate	20.2 %	21.0 %	(0.8) pts.	
Total EMEA				
Revenue from services	\$ 241.5	\$ 245.2	(1.5) %	0.8 %
Staffing fee-based income included in revenue from services	5.5	5.7	(2.9)	(1.6)
Gross profit	35.0	36.9	(5.2)	(3.5)
Total SG&A expenses	30.8	29.7	3.5	6.0
Earnings from operations	4.2	7.2	(41.2)	
Gross profit rate	14.5 %	15.0 %	(0.5) pts.	
Expense rates:				
% of revenue	12.7	12.1	0.6	
% of gross profit	88.0	80.6	7.4	
Return on sales	1.7	2.9	(1.2)	

KELLY SERVICES, INC. AND SUBSIDIARIES
RESULTS OF OPERATIONS BY SEGMENT
(UNAUDITED)
(In millions of dollars)

	Fourth Quarter			
	2016 (13 Wks)	2015 (14 Wks)	% Change	CC % Change
OCG				
Revenue from services	\$ 186.1	\$ 187.5	(0.7) %	(0.4) %
Gross profit	49.2	48.0	2.4	2.9
Total SG&A expenses	41.2	34.0	21.3	22.3
Earnings from operations	8.0	14.0	(43.3)	
Gross profit rate	26.4 %	25.6 %	0.8 pts.	
Expense rates:				
% of revenue	22.1	18.1	4.0	
% of gross profit	83.8	70.7	13.1	
Return on sales	4.3	7.5	(3.2)	

KELLY SERVICES, INC. AND SUBSIDIARIES
RESULTS OF OPERATIONS BY SEGMENT
(UNAUDITED)
(In millions of dollars)

	December Year to Date			
	2016 (52 Wks)	2015 (53 Wks)	% Change	CC % Change
AMERICAS				
Commercial				
Revenue from services	\$ 2,548.0	\$ 2,604.3	(2.2) %	(1.1) %
Staffing fee-based income included in revenue from services	14.7	14.5	1.1	1.7
Gross profit	402.4	400.3	0.5	1.3
Gross profit rate	15.8 %	15.4 %	0.4 pts.	
PT				
Revenue from services	\$ 947.1	\$ 971.9	(2.6) %	(2.5) %
Staffing fee-based income included in revenue from services	17.9	17.6	1.7	2.3
Gross profit	162.7	165.0	(1.4)	(1.3)
Gross profit rate	17.2 %	17.0 %	0.2 pts.	
Total Americas				
Revenue from services	\$ 3,495.1	\$ 3,576.2	(2.3) %	(1.5) %
Staffing fee-based income included in revenue from services	32.6	32.1	1.4	2.0
Gross profit	565.1	565.3	—	0.6
SG&A expenses excluding restructuring charges	454.9	456.6	(0.4)	0.1
Restructuring charges	2.2	—	NM	
Total SG&A expenses	457.1	456.6	0.1	0.6
Earnings from operations	108.0	108.7	(0.6)	
Earnings from operations excluding restructuring charges	110.2	108.7	1.4	
Gross profit rate	16.2 %	15.8 %	0.4 pts.	
Expense rates (excluding restructuring charges):				
% of revenue	13.0	12.8	0.2	
% of gross profit	80.5	80.8	(0.3)	
Return on sales (excluding restructuring charges)	3.2	3.0	0.2	
EMEA				
Commercial				
Revenue from services	\$ 769.3	\$ 773.5	(0.5) %	2.1 %
Staffing fee-based income included in revenue from services	13.5	13.2	2.9	6.1
Gross profit	103.9	106.6	(2.6)	(0.4)
Gross profit rate	13.5 %	13.8 %	(0.3) pts.	
PT				
Revenue from services	\$ 168.8	\$ 171.5	(1.6) %	0.7 %
Staffing fee-based income included in revenue from services	9.7	10.1	(4.0)	(0.8)
Gross profit	34.2	36.6	(6.4)	(4.2)
Gross profit rate	20.3 %	21.3 %	(1.0) pts.	
Total EMEA				
Revenue from services	\$ 938.1	\$ 945.0	(0.7) %	1.9 %
Staffing fee-based income included in revenue from services	23.2	23.3	(0.1)	3.1
Gross profit	138.1	143.2	(3.5)	(1.4)
SG&A expenses excluding restructuring charges	123.7	129.2	(4.2)	(1.6)
Restructuring charges	1.2	—	NM	
Total SG&A expenses	124.9	129.2	(3.3)	(0.7)
Earnings from operations	13.2	14.0	(5.9)	
Earnings from operations excluding restructuring charges	14.4	14.0	2.1	
Gross profit rate	14.7 %	15.2 %	(0.5) pts.	
Expense rates (excluding restructuring charges):				
% of revenue	13.2	13.7	(0.5)	
% of gross profit	89.6	90.2	(0.6)	
Return on sales (excluding restructuring charges)	1.5	1.5	—	

KELLY SERVICES, INC. AND SUBSIDIARIES
RESULTS OF OPERATIONS BY SEGMENT
(UNAUDITED)
(In millions of dollars)

	December Year to Date			
	2016 (52 Wks)	2015 (53 Wks)	% Change	CC % Change
OCG				
Revenue from services	\$ 706.4	\$ 673.8	4.8 %	5.3 %
Gross profit	179.3	160.6	11.6	12.3
Total SG&A expenses	153.4	132.1	16.2	17.1
Earnings from operations	25.9	28.5	(9.7)	
Gross profit rate	25.4 %	23.8 %	1.6 pts.	
Expense rates:				
% of revenue	21.7	19.6	2.1	
% of gross profit	85.6	82.2	3.4	
Return on sales	3.7	4.2	(0.5)	

KELLY SERVICES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)
(In millions of dollars)

	Jan. 1, 2017	Jan. 3, 2016
Current Assets		
Cash and equivalents	\$ 29.6	\$ 42.2
Trade accounts receivable, less allowances of \$12.5 and \$10.5, respectively	1,138.3	1,139.1
Prepaid expenses and other current assets	46.7	45.8
Total current assets	1,214.6	1,227.1
Noncurrent Assets		
Property and equipment, net	80.8	88.9
Deferred taxes	180.1	189.3
Goodwill, net	88.4	90.3
Investment in equity affiliate	114.8	9.4
Other assets	349.4	334.6
Total noncurrent assets	813.5	712.5
Total Assets	\$ 2,028.1	\$ 1,939.6
Current Liabilities		
Short-term borrowings	\$ —	\$ 55.5
Accounts payable and accrued liabilities	455.1	405.5
Accrued payroll and related taxes	241.5	268.1
Accrued insurance	23.4	26.7
Income and other taxes	51.1	60.0
Total current liabilities	771.1	815.8
Noncurrent Liabilities		
Accrued insurance	45.5	40.0
Accrued retirement benefits	157.4	141.0
Other long-term liabilities	42.1	47.4
Total noncurrent liabilities	245.0	228.4
Stockholders' Equity		
Common stock	40.1	40.1
Treasury stock	(39.0)	(44.3)
Paid-in capital	28.6	25.4
Earnings invested in the business	923.6	813.5
Accumulated other comprehensive income	58.7	60.7
Total stockholders' equity	1,012.0	895.4
Total Liabilities and Stockholders' Equity	\$ 2,028.1	\$ 1,939.6
STATISTICS:		
Working Capital	\$ 443.5	\$ 411.3
Current Ratio	1.6	1.5
Debt-to-capital %	— %	5.8 %
Global Days Sales Outstanding	53	54

KELLY SERVICES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE 52 WEEKS ENDED JANUARY 1, 2017 AND 53 WEEKS ENDED JANUARY 3, 2016
(UNAUDITED)
(In millions of dollars)

	2016	2015
Cash flows from operating activities:		
Net earnings	\$ 120.8	\$ 53.8
Noncash adjustments:		
Depreciation and amortization	21.3	22.3
Provision for bad debts	11.0	3.7
Stock-based compensation	8.0	6.1
Gain on investment in TS Kelly Asia Pacific equity affiliate	(87.2)	—
Other, net	(3.9)	(4.7)
Changes in operating assets and liabilities	(32.6)	(57.7)
Net cash from operating activities	37.4	23.5
Cash flows from investing activities:		
Capital expenditures	(12.7)	(16.9)
Net cash proceeds from investment in TS Kelly Asia Pacific equity affiliate	23.3	—
Investment in TS Kelly equity affiliate	—	(0.5)
Other investing activities	(0.3)	(0.2)
Net cash from (used in) investing activities	10.3	(17.6)
Cash flows from financing activities:		
Net change in short-term borrowings	(55.9)	(34.7)
Dividend payments	(10.7)	(7.7)
Other financing activities	(0.3)	0.2
Net cash used in financing activities	(66.9)	(42.2)
Effect of exchange rates on cash and equivalents	6.6	(4.6)
Net change in cash and equivalents	(12.6)	(40.9)
Cash and equivalents at beginning of period	42.2	83.1
Cash and equivalents at end of period	\$ 29.6	\$ 42.2

KELLY SERVICES, INC. AND SUBSIDIARIES
REVENUE FROM SERVICES
(UNAUDITED)
(In millions of dollars)

Fourth Quarter (Commercial, PT and OCG)

	2016 (13 Wks)	2015 (14 Wks)	% Change	CC % Change
Americas				
United States	\$ 956.7	\$ 998.8	(4.2) %	(4.2) %
Canada	34.5	38.0	(9.3)	(9.7)
Mexico	28.0	35.3	(20.6)	(6.1)
Puerto Rico	18.3	24.7	(25.8)	(25.8)
Brazil	13.3	8.7	52.2	29.4
Total Americas	1,050.8	1,105.5	(5.0)	(4.7)
EMEA				
France	61.1	65.6	(6.8)	(5.2)
Switzerland	54.3	55.5	(2.1)	(1.0)
Portugal	40.3	33.8	19.0	21.1
Russia	20.9	18.2	15.3	10.1
United Kingdom	18.5	26.7	(31.0)	(15.7)
Germany	14.3	16.2	(11.5)	(10.0)
Italy	14.2	14.5	(2.1)	(0.4)
Norway	8.0	9.7	(17.4)	(18.7)
Other	18.0	13.0	38.4	40.5
Total EMEA	249.6	253.2	(1.4)	1.0
APAC				
Australia	3.2	31.1	(89.7)	(90.1)
Singapore	0.2	33.0	(99.5)	(99.5)
Malaysia	0.1	14.1	(98.6)	(98.6)
New Zealand	—	11.2	(99.5)	(99.6)
Other	0.5	13.5	(96.6)	(96.5)
Total APAC	4.0	102.9	(96.0)	(96.1)
Total Kelly Services, Inc.	\$ 1,304.4	\$ 1,461.6	(10.8) %	(10.1) %

KELLY SERVICES, INC. AND SUBSIDIARIES

REVENUE FROM SERVICES

(UNAUDITED)

(In millions of dollars)

December Year to Date (Commercial, PT and OCG)

	2016 (52 Wks)	2015 (53 Wks)	% Change	CC % Change
Americas				
United States	\$ 3,722.5	\$ 3,705.2	0.5 %	0.5 %
Canada	139.7	160.2	(12.8)	(9.9)
Mexico	107.6	130.5	(17.6)	(2.8)
Puerto Rico	84.2	99.9	(15.7)	(15.7)
Brazil	46.8	42.9	9.1	19.3
Total Americas	<u>4,100.8</u>	<u>4,138.7</u>	(0.9)	(0.2)
EMEA				
France	239.7	246.0	(2.5)	(2.1)
Switzerland	210.5	216.2	(2.6)	(0.3)
Portugal	151.9	132.5	14.6	15.0
United Kingdom	84.7	105.1	(19.5)	(9.3)
Russia	69.9	75.6	(7.6)	0.7
Germany	59.6	59.3	0.5	0.9
Italy	56.3	54.0	4.2	4.5
Norway	32.4	39.2	(17.2)	(13.5)
Other	63.9	45.8	39.4	40.2
Total EMEA	<u>968.9</u>	<u>973.7</u>	(0.5)	2.1
APAC				
Australia	67.4	123.2	(45.3)	(42.3)
Singapore	65.1	129.9	(49.9)	(48.8)
Malaysia	27.9	59.5	(53.1)	(47.3)
New Zealand	19.3	41.4	(53.3)	(48.8)
Other	27.4	51.8	(46.9)	(43.4)
Total APAC	<u>207.1</u>	<u>405.8</u>	(48.9)	(45.9)
Total Kelly Services, Inc.	<u>\$ 5,276.8</u>	<u>\$ 5,518.2</u>	(4.4) %	(3.2) %

KELLY SERVICES, INC. AND SUBSIDIARIES
RECONCILIATION OF NON-GAAP MEASURES
FOR THE 13 WEEKS ENDED JANUARY 1, 2017 AND 14 WEEKS ENDED JANUARY 3, 2016
(UNAUDITED)

(In millions of dollars except per share data)

	<u>2016</u>	<u>2015</u>	<u>% Change</u>	<u>CC % Change</u>
	<u>As Reported</u>	<u>Adjusted Earnings</u>		
Revenue from services	\$ 1,304.4	\$ 1,362.6	(4.3) %	(3.6) %
Cost of services	<u>1,076.4</u>	<u>1,126.6</u>	(4.5)	
Gross profit	228.0	236.0	(3.4)	(2.9)
SG&A expenses	<u>208.2</u>	<u>211.3</u>	(1.5)	(1.0)
Earnings from operations	19.8	24.7	(19.6)	
Other income (expense), net	<u>0.7</u>	<u>(0.6)</u>	226.9	
Earnings before taxes and equity in net earnings (loss) of affiliate	20.5	24.1	(15.1)	
Inc. tax expense (benefit)*	<u>1.8</u>	<u>(8.7)</u>	120.6	
Net earnings before equity in net earnings (loss) of affiliate	18.7	32.8	(43.1)	
Equity in net earnings (loss) of affiliate	<u>1.1</u>	<u>—</u>	NM	
Net earnings	<u>\$ 19.8</u>	<u>\$ 32.8</u>	(39.6) %	
Earnings per share:				
Basic	\$ 0.51	\$ 0.84	(39.3) %	
Diluted	\$ 0.51	\$ 0.84	(39.3) %	

* Income tax benefit for the fourth quarter of 2015 includes \$13.9 million related to the retroactive reinstatement of work opportunity credits for the entire year.

KELLY SERVICES, INC. AND SUBSIDIARIES
RECONCILIATION OF NON-GAAP MEASURES
FOR THE 13 WEEKS ENDED JANUARY 1, 2017 AND 14 WEEKS ENDED JANUARY 3, 2016
(UNAUDITED)

(In millions of dollars except per share data)

	2015		
	As Reported	Disposal of APAC Businesses (Note 2)	Adjusted Earnings
Revenue from services	\$ 1,461.6	\$ (99.0)	\$ 1,362.6
Cost of services	1,212.1	(85.5)	1,126.6
Gross profit	249.5	(13.5)	236.0
SG&A expenses	223.0	(11.7)	211.3
Earnings from operations	26.5	(1.8)	24.7
Other (expense) income, net	(0.7)	0.1	(0.6)
Earnings before taxes and equity in net earnings (loss) of affiliate	25.8	(1.7)	24.1
Inc. tax expense (benefit)	(8.4)	(0.3)	(8.7)
Net earnings before equity in net earnings (loss) of affiliate	34.2	(1.4)	32.8
Equity in net earnings (loss) of affiliate	—	—	—
Net earnings	<u>\$ 34.2</u>	<u>\$ (1.4)</u>	<u>\$ 32.8</u>
Earnings per share:			
Basic	\$ 0.88	\$ (0.04)	\$ 0.84
Diluted	\$ 0.88	\$ (0.04)	\$ 0.84

Note: Earnings per share amounts for each quarter are required to be computed independently and may not equal the amounts computed for the total year.

KELLY SERVICES, INC. AND SUBSIDIARIES
RECONCILIATION OF NON-GAAP MEASURES
FOR THE 52 WEEKS ENDED JANUARY 1, 2017 AND 53 WEEKS ENDED JANUARY 3, 2016
(UNAUDITED)

(In millions of dollars except per share data)

	2016				2015		% Change	CC % Change
	As Reported	Gain on Investment in Equity Affiliate (Note 1)	Restructuring Charges (Note 3)	Adjusted Earnings	Adjusted Earnings			
Revenue from services	\$ 5,276.8	\$ —	\$ —	\$ 5,276.8	\$ 5,325.2	(0.9) %	0.3 %	
Cost of services	4,370.5	—	—	4,370.5	4,432.2	(1.4)		
Gross profit	906.3	—	—	906.3	893.0	1.5	2.5	
SG&A expenses	843.1	—	(3.4)	839.7	830.2	1.1	2.5	
Earnings from operations	63.2	—	3.4	66.6	62.8	6.2		
Gain on investment in TS Kelly Asia Pacific	87.2	(87.2)	—	—	—	NM		
Other expense, net	(0.7)	—	—	(0.7)	(3.3)	79.4		
Earnings before taxes and equity in net earnings (loss) of affiliate	149.7	(87.2)	3.4	65.9	59.5	10.9		
Inc. tax expense (benefit)	30.0	(23.5)	1.2	7.7	8.0	(3.6)		
Net earnings before equity in net earnings (loss) of affiliate	119.7	(63.7)	2.2	58.2	51.5	13.1		
Equity in net earnings (loss) of affiliate	1.1	—	—	1.1	(0.7)	NM		
Net earnings	\$ 120.8	\$ (63.7)	\$ 2.2	\$ 59.3	\$ 50.8	16.9 %		
Earnings per share:								
Basic	\$ 3.10	\$ (1.64)	\$ 0.06	\$ 1.53	\$ 1.31	16.8 %		
Diluted	\$ 3.08	\$ (1.62)	\$ 0.06	\$ 1.52	\$ 1.31	16.0 %		

Note: Earnings per share amounts for each quarter are required to be computed independently and may not equal the amounts computed for the total year.

KELLY SERVICES, INC. AND SUBSIDIARIES
RECONCILIATION OF NON-GAAP MEASURES
FOR THE 52 WEEKS ENDED JANUARY 1, 2017 AND 53 WEEKS ENDED JANUARY 3, 2016
(UNAUDITED)

(In millions of dollars except per share data)

	2015		
	As Reported	Disposal of APAC Businesses (Note 2)	Adjusted Earnings
Revenue from services	\$ 5,518.2	\$ (193.0)	\$ 5,325.2
Cost of services	4,597.9	(165.7)	4,432.2
Gross profit	920.3	(27.3)	893.0
SG&A expenses	853.6	(23.4)	830.2
Earnings from operations	66.7	(3.9)	62.8
Other (expense) income, net	(3.5)	0.2	(3.3)
Earnings from operations before taxes and equity in net earnings (loss) of affiliate	63.2	(3.7)	59.5
Inc. tax expense (benefit)	8.7	(0.7)	8.0
Net earnings before equity in net earnings (loss) of affiliate	54.5	(3.0)	51.5
Equity in net earnings (loss) of affiliate	(0.7)	—	(0.7)
Net earnings	<u>\$ 53.8</u>	<u>\$ (3.0)</u>	<u>\$ 50.8</u>
Earnings per share:			
Basic	\$ 1.39	\$ (0.08)	\$ 1.31
Diluted	\$ 1.39	\$ (0.08)	\$ 1.31

Note: Earnings per share amounts for each quarter are required to be computed independently and may not equal the amounts computed for the total year.

KELLY SERVICES, INC. AND SUBSIDIARIES
RECONCILIATION OF NON-GAAP MEASURES
(UNAUDITED)

Management believes that the non-GAAP (Generally Accepted Accounting Principles) information excluding the 2016 gain on investment in equity affiliate, 2016 restructuring charges and disposal of APAC businesses is useful to understand the Company's 2016 financial performance and increases comparability. Specifically, Management believes that removing the impact of these items allows for a more meaningful comparison of current period operating performance with the operating results of prior periods. These non-GAAP measures may have limitations as analytical tools because they exclude items which can have a material impact on cash flow and earnings per share. As a result, Management considers these measures, along with reported results, when it reviews and evaluates the Company's financial performance. Management believes that these measures provide greater transparency to investors and provide insight into how Management is evaluating the Company's financial performance. Non-GAAP measures should not be considered a substitute for, or superior to, measures of financial performance prepared in accordance with GAAP.

(1) Gain on investment in equity affiliate represents the difference between the fair value and book value of amounts contributed by the Company to the investment in TS Kelly Asia Pacific.

(2) Disposal of APAC businesses represents the 2015 operational results of business contributed to TS Kelly Asia Pacific in the third quarter of 2016.

(3) Restructuring charges in 2016 include costs related to actions during the second quarter in the Americas and EMEA designed to increase operational efficiency and align our staffing operations with opportunities for growth within their markets. The 2016 year-to-date income tax expense (benefit) was impacted by a \$0.3 million benefit for the release of a valuation allowance in Italy in the fourth quarter of 2016.



February 17, 2017



Kelly Services, Inc.
Fourth Quarter and Full Year 2016





Safe Harbor Statement



This release contains statements that are forward looking in nature and, accordingly, are subject to risks and uncertainties. These factors include, but are not limited to, competitive market pressures including pricing and technology introductions, changing market and economic conditions, our ability to achieve our business strategy, the risk of damage to our brand, the risk our intellectual assets could be infringed upon or compromised, our ability to successfully develop new service offerings, our exposure to risks associated with services outside traditional staffing, including business process outsourcing, our increasing dependency on third parties for the execution of critical functions, the risks associated with past and future acquisitions, exposure to risks associated with investments in equity affiliates, material changes in demand from or loss of large corporate customers, risks associated with conducting business in foreign countries, including foreign currency fluctuations, availability of full-time employees to lead complex talent supply chain sales and operations, availability of temporary workers with appropriate skills required by customers, liabilities for employment-related claims and losses, including class action lawsuits and collective actions, the risk of cyber attacks or other breaches of network or information technology security as well as risks associated with compliance on data privacy, our ability to sustain critical business applications through our key data centers, our ability to effectively implement and manage our information technology programs, our ability to maintain adequate financial and management processes and controls, impairment charges triggered by adverse industry developments or operational circumstances, unexpected changes in claim trends on workers' compensation, disability and medical benefit plans, the impact of the Patient Protection and Affordable Care Act on our business, the impact of changes in laws and regulations (including federal, state and international tax laws), the risk of additional tax or unclaimed property liabilities in excess of our estimates, our ability to maintain specified financial covenants in our bank facilities to continue to access credit markets, and other risks, uncertainties and factors discussed in this release and in the Company's filings with the Securities and Exchange Commission. Actual results may differ materially from any forward looking statements contained herein, and we have no intention to update these statements.



Fourth Quarter 2016 Highlights (YOY Comparisons)



- Total revenue declined 11%, or 10% in constant currency
 - Excluding APAC results in 2015, total revenue declined 4% in nominal and constant currency
 - Also, excluding the 53rd week impact in 2015, constant currency revenue is essentially flat YOY
- Gross profit down 9%, or 8% in constant currency
 - Excluding APAC results in 2015, gross profit down 3% in nominal and constant currency
- Earnings from operations of \$19.8 million, down 25% YOY
 - Excluding APAC results in 2015, earnings from operations down 20% YOY
- Diluted earnings per share of \$0.51, down \$0.37
 - Excluding APAC staffing results in 2015, diluted earnings per share down \$0.33

Fourth Quarter 2016 Financial Summary



	<u>Actual Results</u>	<u>Change</u>	<u>Constant Currency Change⁽¹⁾</u>
Revenue	\$1.3B	(10.8)%	(10.1)%
GP %	17.5%	40 bps	
Earnings from Operations	\$19.8M	(25.2)%	(24.5)%
ROS %	1.5%	(30) bps	
EPS	\$0.51	(\$0.37)	

- Results reflect the deconsolidation of APAC and the impact of an extra week in 2015 due to the 53-week fiscal year
- Continued GP rate improvement
- Earnings from operations declined by 25% on a nominal and constant currency basis, primarily due to an extra week in our 2015 results
- EPS also impacted by the reinstatement of the Work Opportunity Credits (WOC) in late 2015. Q4 2015 results reflect a full year of WOC, 2016 reflects WOC impact each quarter

⁽¹⁾Constant Currency represent year-over-year changes resulting from translating 2016 financial data into USD using 2015 exchange rates.

Fourth Quarter 2016 Financial Summary (Excluding APAC 2015 Results)



	<u>Actual Results</u>	<u>Change⁽¹⁾</u>	<u>Constant Currency Change⁽²⁾</u>
Revenue	\$1.3B	(4.3)%	(3.6)%
GP %	17.5%	20 bps	
Earnings from Operations	\$19.8M	(19.6)%	(18.8)%
ROS %	1.5%	(30) bps	
EPS	\$ 0.51	\$ (0.33)	

- Declining revenue growth reflects the impact of an extra week in 2015 due to the 53-week fiscal year. Excluding the extra week of revenue in 2015, revenue is essentially flat year-over-year in constant currency
- Earnings from operations declines primarily due to an extra week in our 2015 results
- EPS also impacted by the reinstatement of the Work Opportunity Credits (WOC) in late 2015. Q4 2015 results reflect a full year of WOC, 2016 reflects WOC impact each quarter

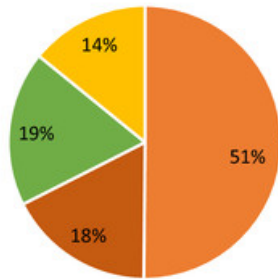
⁽¹⁾ Excludes 2015 results from APAC and OCG business related to the deconsolidation.

⁽²⁾ Constant Currency represent year-over-year changes resulting from translating 2016 financial data into USD using 2015 exchange rates.

Fourth Quarter 2016 Revenue Growth

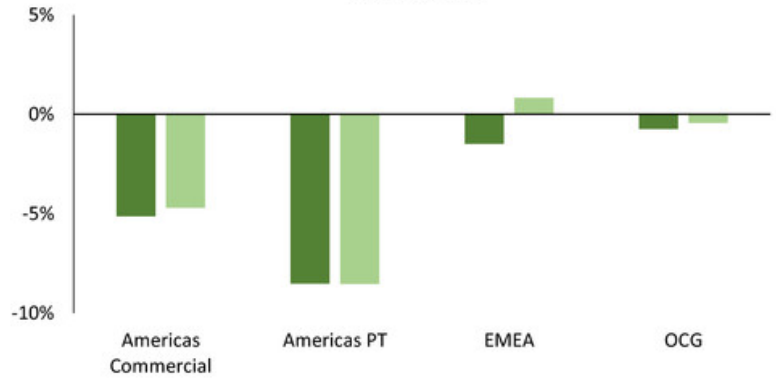


Business Mix



■ Americas Commercial ■ Americas PT ■ EMEA ■ OCG

YoY Growth



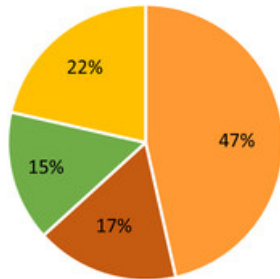
■ Reported ■ Constant Currency

- Americas and EMEA staffing revenues impacted by extra week in Q4 2015 results
- Americas PT was also impacted by slowing demand

Fourth Quarter 2016 Gross Profit Growth

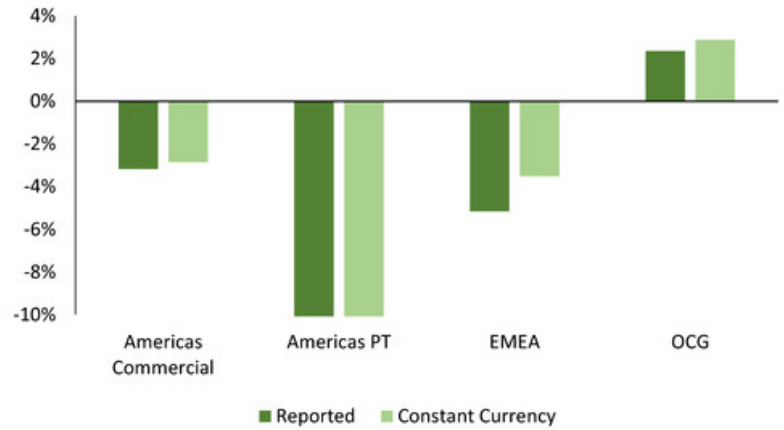


Business Mix



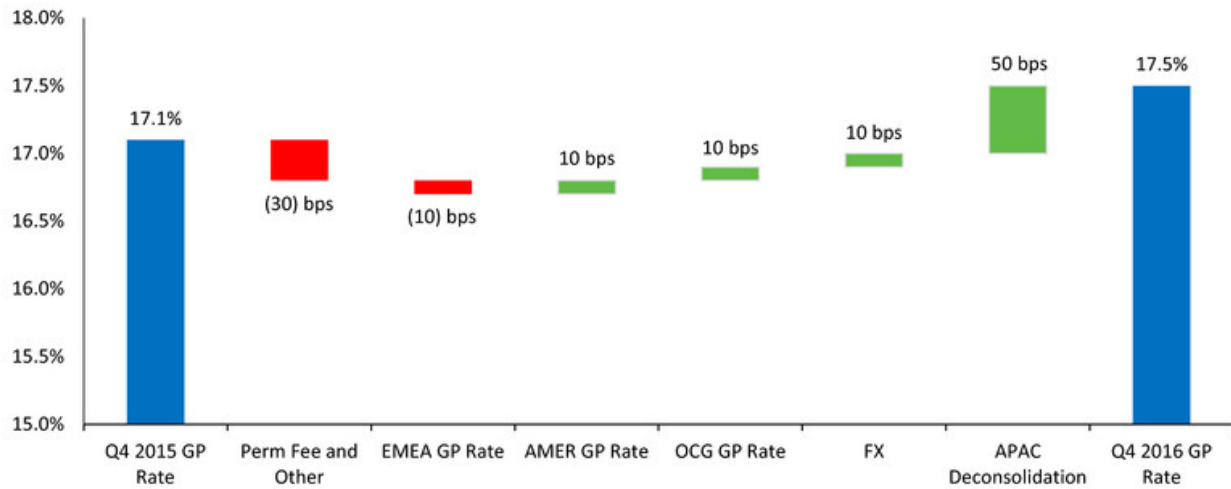
Americas Commercial Americas PT EMEA OCG

YoY Growth



- Americas Commercial and PT staffing, and OCG comprise 86% of total company GP
- Americas and EMEA staffing impacted by extra week in Q4 2015 results
- Americas PT GP was impacted by slowing demand in Q4 2016
- OCG GP growth reflects strong GP rate improvement on flat revenue
- EMEA GP reflects unfavorable customer and country mix as well as staffing fee-based income declines

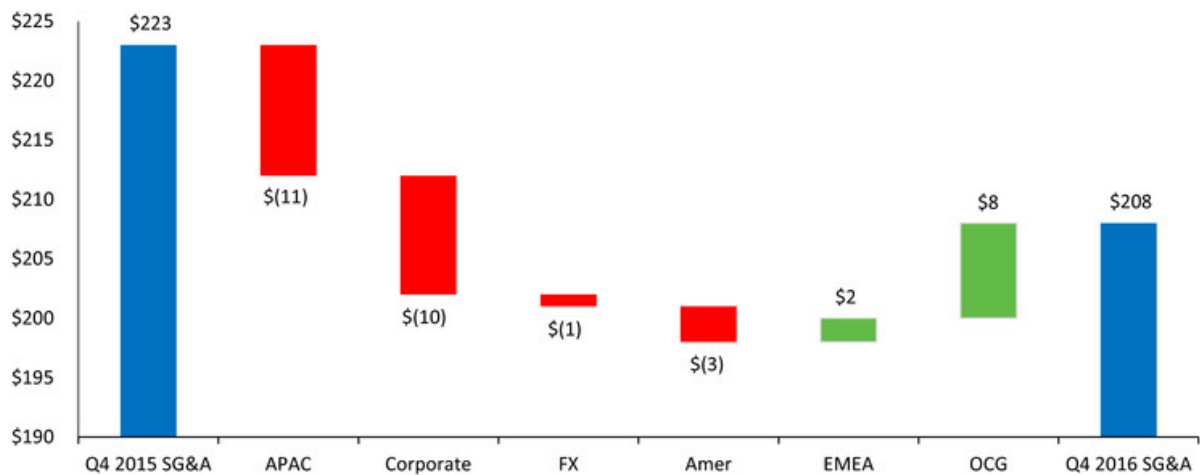
Fourth Quarter 2016 Gross Profit Rate



- Overall GP rate up due to the favorable impact related to the APAC deconsolidation, as APAC had lower GP rates than the Company average, and improving GP rates in the Americas Staffing and global OCG businesses, partially offset by lower perm fees
- Americas GP rate reflects continued management of temporary employee tax expense, partially offset by increased benefits costs
- OCG GP rate improvement due to a favorable customer mix

Fourth Quarter 2016 SG&A

\$ in Millions



- APAC reflects the deconsolidation of our APAC business upon closing the APAC JV transaction in the third quarter
- Corporate expenses reflect savings related to lower performance-based compensation (\$5.1 million) and lower litigation related expenses
- OCG expense growth results from increasing salaries as well as costs related to additional sales resources and higher bad debt expense
- Lower Americas expense reflects management of expenses in line with GP
- EMEA expenses reflect targeted investment in recruiters in the branch network

Fourth Quarter 2016 Conversion Rate



\$ in Millions

	2016			2015			Change (bps)
	Gross Profit	Earnings from Ops	Conversion Rate ⁽¹⁾	Gross Profit	Earnings from Ops	Conversion Rate ⁽¹⁾	
Americas	\$ 144.9	\$ 30.5	21.0%	\$ 153.0	\$ 36.2	23.7%	(270)
EMEA	35.0	4.2	12.0%	36.9	7.2	19.4%	(740)
APAC	-	-	0.0%	12.8	1.6	12.2%	NM
OCG	49.2	8.0	16.2%	48.0	14.0	29.3%	(1,310)
Total Company	\$ 228.0	\$ 19.8	8.7%	\$ 249.5	\$ 26.5	10.6%	(190)

- APAC results are no longer included in the Company's earnings from operations upon closing of the APAC JV transaction at the beginning of the third quarter

⁽¹⁾Conversion rate represents earnings from operations as a percent of gross profit, or return on gross profit.

Fourth Quarter 2016 Conversion Rate (Excluding APAC 2015 Results)



\$ in Millions

	2016			2015			Change (bps)
	Gross Profit	Earnings from Ops	Conversion Rate ⁽²⁾	Gross Profit ⁽¹⁾	Earnings from Ops ⁽¹⁾	Conversion Rate ⁽²⁾	
Americas	\$ 144.9	\$ 30.5	21.0%	\$ 153.0	\$ 36.2	23.7%	(270)
EMEA	35.0	4.2	12.0%	36.9	7.2	19.4%	(740)
APAC	-	-	0.0%	-	-	0.0%	-
OCG	49.2	8.0	16.2%	47.2	13.8	29.2%	(1,300)
Total Company	\$ 228.0	\$ 19.8	8.7%	\$ 236.0	\$ 24.7	10.4%	(170)

- Although Q4 conversion rate declined year-over-year, full year conversion rate of 7.4% (excluding restructuring expenses) was up 20 bps from the prior year.

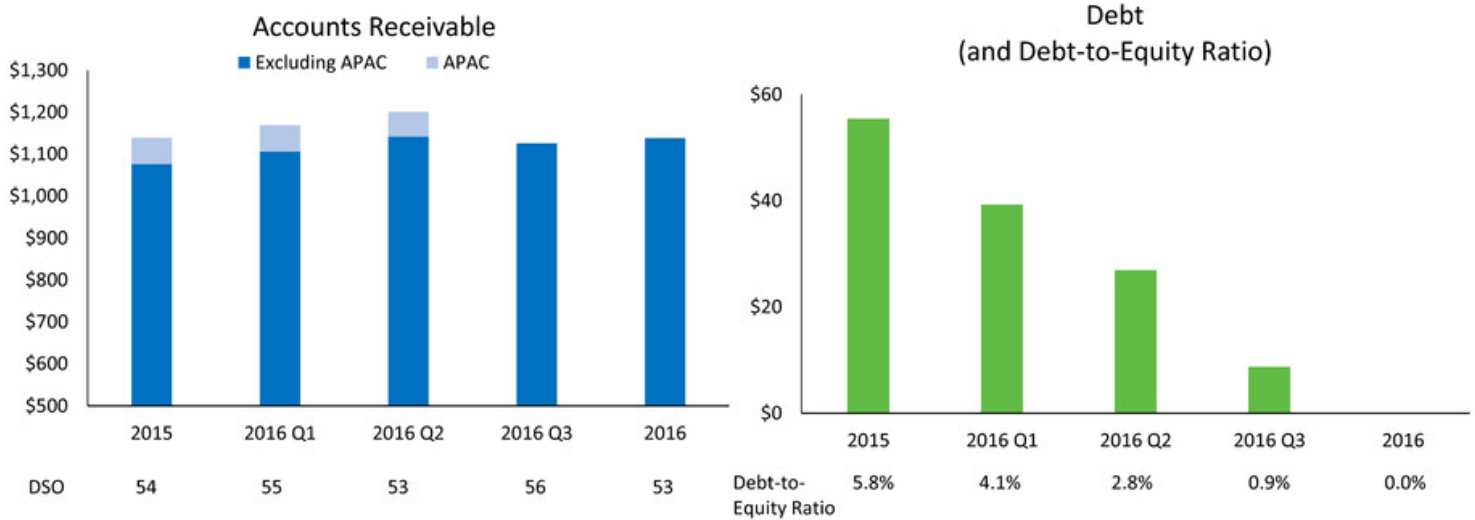
⁽¹⁾ Excludes 2015 results from APAC and OCG business related to the deconsolidation.

⁽²⁾ Conversion rate represents earnings from operations as a percent of gross profit, or return on gross profit.

Fourth Quarter 2016 Balance Sheet Data



\$ in Millions



- DSO improved one day versus the same period last year
- Debt free as of the end of the year as a result of cash proceeds from the APAC transaction and improving free cash flows

- Revenue down 1% to flat YOY
 - No significant foreign exchange impact expected
 - Excluding the impact of the APAC results in the first half of 2016, revenue up 3.0% to 4.0%
- Gross profit rate up YOY
- SG&A down 1% to flat YOY
 - Excluding APAC results in the first half of 2016, SG&A up 3.0% to 4.0%
- Annual tax rate in low- to mid-20% range, including impact of Work Opportunity Credits

APPENDIX:
TS KELLY ASIA PACIFIC JOINT VENTURE

- Joint Venture capitalizes on the strong reputation of Kelly Services as a leading talent provider in the region and on Temp Holdings' regional presence
 - Provides accelerated growth opportunities, larger workforce solutions presence, and enhanced competitive positioning
 - Expands on 14-year strategic partnership between Kelly and Temp Holdings
- TS Kelly Asia Pacific is expected to be one of the largest workforce solutions companies in the Asia Pacific region
- Solidifies Kelly's focus on OCG solutions in the APAC market
 - Opportunity to accelerate investment in high growth market
 - Kelly's outsourcing and consulting group, KellyOCG, is not part of the joint venture and will continue to operate under the complete control of Kelly

- Expands scope from four geographies to twelve, with headquarters in Singapore
- Brings together established businesses with approximately \$500 million in revenue and 1,600 employees
 - **TS Kelly North Asia** – China, Hong Kong, Taiwan, South Korea
 - **Kelly Services** – Singapore, Malaysia, Australia, New Zealand, India, Indonesia, Thailand
 - **Capita** – Singapore and Malaysia
 - **First Alliances** – Vietnam
 - **Intelligence** – Indonesia, Vietnam, Singapore, Malaysia

- Closed on July 4, 2016, the JV was formed through asset transfers from Kelly and Temp Holdings, and a \$36.5 million cash payment to Kelly at closing and a \$4.5 million cash true-up payment made to Kelly in Q4 2016
- Temp Holdings owns 51%, Kelly owns 49%
- Beginning in the third quarter, Kelly accounts for its 49% interest as an Equity Method Investment
 - APAC results are no longer included in the individual lines of Kelly’s consolidated income statement or balance sheet
 - Equity method investment asset will be reported as a single line item on the balance sheet
 - 49% share of income reflected as Income from equity method investments (below earnings from operations), effective on the transaction closing date
 - » Will no longer be included as revenue, cost of service, and SG&A expense

