



Kelly Services® Reports 2nd Quarter Results

TROY, MI -- (Marketwired) -- 08/07/13 -- Kelly Services, Inc. (NASDAQ: KELYA) (NASDAQ: KELYB), a leader in providing [workforce](#) solutions, today announced results for the second quarter of 2013.

Carl T. Camden, President and Chief Executive Officer, announced revenue for the second quarter of 2013 totaled \$1.4 billion, a 0.1% increase compared to the corresponding quarter of 2012.

Earnings from operations for the second quarter of 2013 totaled \$16.4 million, compared to \$23.8 million reported for the second quarter of 2012. Included in the results of operations in the second quarter of 2013 are impairment charges of \$1.7 million and restructuring charges of \$0.8 million. The results of operations in the second quarter of 2012 included a benefit due to changes in the estimated cost of restructuring of \$2.2 million. Excluding the impairment and restructuring charges, earnings from operations were \$18.9 million in the second quarter of 2013, compared to adjusted earnings of \$21.6 million last year.

Diluted earnings per share from continuing operations in the second quarter of 2013 were \$0.26 compared to \$0.40 per share in the second quarter of 2012. Adjusted earnings per share were \$0.33 in the second quarter of 2013 compared to \$0.34 in the second quarter of 2012.

"We're pleased with our second quarter performance in each operating segment, given the uneven and generally subpar global economic growth," said Camden. "The Americas delivered solid results that were in line with our expectations, considering both our investment strategy and the lower volume we're experiencing. In EMEA and APAC, we're proud of our efforts in recalibrating our operations to bring costs in line with revenue in a tough environment. In addition, the growth we are seeing in [KellyOCG](#)'s revenue and fees confirms that our solutions are meeting market demand for outsourced [talent](#) management programs, and we believe the investments we're making will support our long-term growth in that segment."

Kelly also reported that on August 6, its board of directors declared a dividend of \$0.05 per share. The dividend is payable September 9 to shareholders of record as of the close of business on August 19.

In conjunction with its second quarter earnings release, Kelly Services, Inc. will host a conference call at 9:00 a.m. (ET) on August 7, to review the results and answer questions. The call may be accessed in one of the following ways:

Via the Telephone:

U.S. 1 800 288-9626
International 1 651 291-5254

The pass code is Kelly Services

Via the Internet:

The call is also available via the internet through the Kelly Services website:

kellyservices.com

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, including our ability to successfully expand into new markets and service lines, material changes in demand from or loss of large corporate customers, impairment charges triggered by adverse industry or market developments, unexpected termination of customer contracts, availability of temporary workers with appropriate skills required by customers, liabilities for employment-related claims and losses, including class action lawsuits and collective actions, liability for improper disclosure of sensitive or private employee information, unexpected changes in claim trends on workers' compensation and benefit plans, our ability to maintain specified financial covenants in our bank facilities, our ability to access credit markets and continued availability of financing for funding working capital, 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 retain the services of our senior management, local management and field personnel, the impact of changes in laws and regulations (including federal, state and international tax laws), the net financial impact of the Patient Protection and Affordable Care Act on our business, risks associated with conducting business in foreign countries, including foreign currency fluctuations, 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.

About Kelly Services[®]

Kelly Services, Inc. (NASDAQ: KELYA) (NASDAQ: KELYB) is a leader in providing workforce solutions. Kelly[®] offers a comprehensive array of [outsourcing and consulting](#) services as well as world-class staffing on a temporary, temporary-to-hire, and [direct-hire](#) basis. Serving clients around the globe, Kelly provides [employment](#) to more than 560,000 employees annually. Revenue in 2012 was \$5.5 billion. Visit kellyservices.com and connect with us on [Facebook](#), [LinkedIn](#), and [Twitter](#). Download [The Talent Project](#), a free iPad app by Kelly Services.

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KELLY SERVICES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS
FOR THE 13 WEEKS ENDED JUNE 30, 2013 AND JULY 1, 2012

(UNAUDITED)

(In millions of dollars except per share data)

| | <u>2013</u> | <u>2012</u> | <u>Change</u> | <u>% Change</u> |
|---|----------------|----------------|-----------------|---------------------|
| Revenue from services | \$ 1,366.9 | \$ 1,366.1 | \$ 0.8 | 0.1 % |
| Cost of services | <u>1,146.2</u> | <u>1,142.9</u> | <u>3.3</u> | <u>0.3</u> |
| Gross profit | 220.7 | 223.2 | (2.5) | (1.1) |
| Selling, general and administrative expenses | 202.6 | 199.4 | 3.2 | 1.6 |
| Asset impairments | <u>1.7</u> | <u>-</u> | <u>1.7</u> | <u>NM</u> |
| Earnings from operations | 16.4 | 23.8 | (7.4) | (30.9) |
| Other expense, net | <u>1.6</u> | <u>0.5</u> | <u>1.1</u> | <u>234.2</u> |
| Earnings from continuing operations before taxes | 14.8 | 23.3 | (8.5) | (36.5) |
| Income tax expense | <u>4.8</u> | <u>8.3</u> | <u>(3.5)</u> | <u>(42.4)</u> |
| Earnings from continuing operations | 10.0 | 15.0 | (5.0) | (33.2) |
| Earnings from discontinued operations, net of tax | <u>-</u> | <u>-</u> | <u>-</u> | <u>NM</u> |
| Net earnings | <u>\$ 10.0</u> | <u>\$ 15.0</u> | <u>\$ (5.0)</u> | <u>(33.2)%</u> |
| Basic earnings per share on common stock | | | | |
| Earnings from continuing operations | \$ 0.26 | \$ 0.40 | \$ (0.14) | (35.0)% |
| Earnings from discontinued operations | - | - | - | NM |

| | | | | |
|--|---------|---------|-----------|---------|
| Net earnings | 0.26 | 0.40 | (0.14) | (35.0) |
| <i>Diluted earnings per share on common stock</i> | | | | |
| Earnings from continuing operations | \$ 0.26 | \$ 0.40 | \$ (0.14) | (35.0)% |
| Earnings from discontinued operations | - | - | - | NM |
| Net earnings | 0.26 | 0.40 | (0.14) | (35.0) |

STATISTICS:

| | | | |
|-------------------|--------|--------|------------|
| Gross profit rate | 16.1 % | 16.3 % | (0.2) pts. |
|-------------------|--------|--------|------------|

Selling, general and administrative expenses:

| | | | |
|-------------------|------|------|-----|
| % of revenue | 14.8 | 14.6 | 0.2 |
| % of gross profit | 91.8 | 89.4 | 2.4 |

% Return:

| | | | |
|--|-----|-----|-------|
| Earnings from operations | 1.2 | 1.7 | (0.5) |
| Earnings from continuing operations before taxes | 1.1 | 1.7 | (0.6) |
| Earnings from continuing operations | 0.7 | 1.1 | (0.4) |
| Net earnings | 0.7 | 1.1 | (0.4) |

| | | | |
|---------------------------|--------|--------|------------|
| Effective income tax rate | 32.2 % | 35.5 % | (3.3) pts. |
|---------------------------|--------|--------|------------|

Average number of shares outstanding (millions):

| | | |
|---------|------|------|
| Basic | 37.2 | 37.0 |
| Diluted | 37.2 | 37.0 |

Shares adjusted for nonvested restricted awards (millions):

| | | |
|---------|------|------|
| Basic | 38.2 | 37.8 |
| Diluted | 38.2 | 37.8 |

KELLY SERVICES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS
FOR THE 26 WEEKS ENDED JUNE 30, 2013 AND JULY 1, 2012
(UNAUDITED)

(In millions of dollars except per share data)

| | <u>2013</u> | <u>2012</u> | <u>Change</u> | <u>% Change</u> |
|---|----------------|----------------|-----------------|---------------------|
| Revenue from services | \$ 2,681.7 | \$ 2,720.9 | \$ (39.2) | (1.4)% |
| Cost of services | <u>2,244.1</u> | <u>2,274.0</u> | <u>(29.9)</u> | <u>(1.3)</u> |
| Gross profit | 437.6 | 446.9 | (9.3) | (2.1) |
| Selling, general and administrative expenses | 412.4 | 408.4 | 4.0 | 1.0 |
| Asset impairments | <u>1.7</u> | <u>-</u> | <u>1.7</u> | <u>NM</u> |
| Earnings from operations | 23.5 | 38.5 | (15.0) | (38.9) |
| Other expense, net | <u>2.6</u> | <u>1.1</u> | <u>1.5</u> | <u>137.7</u> |
| Earnings from continuing operations before taxes | 20.9 | 37.4 | (16.5) | (44.0) |
| Income tax (benefit) expense | <u>(2.0)</u> | <u>13.2</u> | <u>(15.2)</u> | <u>(115.4)</u> |
| Earnings from continuing operations | 22.9 | 24.2 | (1.3) | (5.3) |
| Earnings from discontinued operations, net of tax | <u>-</u> | <u>0.4</u> | <u>(0.4)</u> | <u>(99.8)</u> |
| Net earnings | <u>\$ 22.9</u> | <u>\$ 24.6</u> | <u>\$ (1.7)</u> | <u>(7.0)%</u> |

Basic earnings per share on common stock

| | | | | | | | |
|---------------------------------------|----|------|----|------|----|--------|---------|
| Earnings from continuing operations | \$ | 0.60 | \$ | 0.64 | \$ | (0.04) | (6.3)% |
| Earnings from discontinued operations | | - | | 0.01 | | (0.01) | (100.0) |
| Net earnings | | 0.60 | | 0.65 | | (0.05) | (7.7) |

Diluted earnings per share on common stock

| | | | | | | | |
|---------------------------------------|----|------|----|------|----|--------|---------|
| Earnings from continuing operations | \$ | 0.60 | \$ | 0.64 | \$ | (0.04) | (6.3)% |
| Earnings from discontinued operations | | - | | 0.01 | | (0.01) | (100.0) |
| Net earnings | | 0.60 | | 0.65 | | (0.05) | (7.7) |

STATISTICS:

Gross profit rate 16.3 % 16.4 % (0.1) pts.

Selling, general and administrative expenses:

| | | | |
|-------------------|------|------|-----|
| % of revenue | 15.4 | 15.0 | 0.4 |
| % of gross profit | 94.3 | 91.4 | 2.9 |

% Return:

| | | | |
|--|-----|-----|-------|
| Earnings from operations | 0.9 | 1.4 | (0.5) |
| Earnings from continuing operations before taxes | 0.8 | 1.4 | (0.6) |
| Earnings from continuing operations | 0.9 | 0.9 | 0.0 |
| Net earnings | 0.9 | 0.9 | 0.0 |

Effective income tax rate (9.7)% 35.2 % (44.9) pts.

Average number of shares outstanding (millions):

| | | |
|---------|------|------|
| Basic | 37.2 | 36.9 |
| Diluted | 37.2 | 37.0 |

Shares adjusted for nonvested restricted awards (millions):

| | | |
|---------|------|------|
| Basic | 38.2 | 37.8 |
| Diluted | 38.2 | 37.8 |

KELLY SERVICES, INC. AND SUBSIDIARIES
RESULTS OF OPERATIONS BY SEGMENT
(UNAUDITED)

(In millions of dollars)

| | <u>Second Quarter</u> | | | Constant Currency Change |
|---|-----------------------|-------------|---------------|---|
| | <u>2013</u> | <u>2012</u> | <u>Change</u> | |
| AMERICAS | | | | |
| Commercial | | | | |
| Revenue from services (including fee-based income) | \$ 648.8 | \$ 668.6 | (3.0)% | (3.1)% |
| Fee-based income | 4.0 | 4.2 | (4.9) | (4.5) |
| Gross profit | 94.2 | 97.7 | (3.6) | (3.7) |
| Gross profit rate | 14.5 % | 14.6 % | (0.1) pts. | |
| PT | | | | |
| Revenue from services (including fee-based income) | \$ 259.6 | \$ 262.4 | (1.1)% | (1.2)% |
| Fee-based income | 4.1 | 4.2 | (3.5) | (3.4) |
| Gross profit | 41.1 | 39.7 | 3.5 | 3.4 |
| Gross profit rate | 15.8 % | 15.1 % | 0.7 pts. | |
| Total Americas | | | | |
| Revenue from services (including fee-based income) | \$ 908.4 | \$ 931.0 | (2.4)% | (2.6)% |
| Fee-based income | 8.1 | 8.4 | (4.2) | (4.0) |
| Gross profit | 135.3 | 137.4 | (1.6) | (1.6) |
| Total SG&A expenses | 103.8 | 99.0 | 4.8 | 4.8 |
| Earnings from operations | 31.5 | 38.4 | (18.0) | |
| Gross profit rate | 14.9 % | 14.8 % | 0.1 pts. | |

| | | | | |
|-------------------|------|------|-------|--|
| Expense rates: | | | | |
| % of revenue | 11.4 | 10.6 | 0.8 | |
| % of gross profit | 76.7 | 72.0 | 4.7 | |
| Operating margin | 3.5 | 4.1 | (0.6) | |

EMEA

Commercial

| | | | | |
|---|----------|----------|------------|--------|
| Revenue from services (including fee-based income) | \$ 219.8 | \$ 213.7 | 2.8 % | 2.5 % |
| Fee-based income | 5.2 | 6.2 | (16.9) | (16.6) |
| Gross profit | 33.8 | 34.2 | (1.0) | (1.8) |
| Gross profit rate | 15.4 % | 16.0 % | (0.6) pts. | |

PT

| | | | | |
|---|---------|---------|------------|--------|
| Revenue from services (including fee-based income) | \$ 43.1 | \$ 41.6 | 3.6 % | 3.2 % |
| Fee-based income | 3.9 | 4.4 | (12.0) | (11.7) |
| Gross profit | 10.5 | 10.9 | (3.3) | (3.6) |
| Gross profit rate | 24.4 % | 26.1 % | (1.7) pts. | |

Total EMEA

| | | | | |
|--|----------|----------|------------|--------|
| Revenue from services (including fee-based income) | \$ 262.9 | \$ 255.3 | 3.0 % | 2.6 % |
| Fee-based income | 9.1 | 10.6 | (14.9) | (14.6) |
| Gross profit | 44.3 | 45.1 | (1.6) | (2.2) |
| SG&A expenses excluding restructuring charges | 39.9 | 41.9 | (4.7) | |
| Restructuring charges | - | (2.2) | 101.8 | |
| Total SG&A expenses | 39.9 | 39.7 | 0.5 | - |
| Earnings from operations | 4.4 | 5.4 | (17.3) | |
| Earnings from operations excluding restructuring charges | 4.4 | 3.2 | 40.5 | |
| Gross profit rate | 16.9 % | 17.6 % | (0.7) pts. | |
| Expense rates (excluding restructuring charges): | | | | |
| % of revenue | 15.2 | 16.4 | (1.2) | |
| % of gross profit | 90.1 | 93.0 | (2.9) | |

| | | | |
|--|-----|-----|-----|
| Operating margin (excluding restructuring charges) | 1.7 | 1.2 | 0.5 |
|--|-----|-----|-----|

KELLY SERVICES, INC. AND SUBSIDIARIES
RESULTS OF OPERATIONS BY SEGMENT
(UNAUDITED)

(In millions of dollars)

| | <u>Second Quarter</u> | | | <u>Constant Currency Change</u> |
|--|-----------------------|-------------|---------------|---|
| | <u>2013</u> | <u>2012</u> | <u>Change</u> | |
| APAC | | | | |
| Commercial | | | | |
| Revenue from services (including fee-based income) \$ | 87.7 | \$ 84.3 | 4.0 % | 3.7 % |
| Fee-based income | 2.9 | 3.0 | (7.8) | (7.2) |
| Gross profit | 12.5 | 12.5 | - | (0.2) |
| Gross profit rate | 14.3 % | 14.9 % | (0.6) pts. | |
| PT | | | | |
| Revenue from services (including fee-based income) \$ | 10.0 | \$ 12.8 | (21.5)% | (21.0)% |
| Fee-based income | 2.5 | 4.1 | (40.0) | (39.7) |
| Gross profit | 3.8 | 5.3 | (29.6) | (29.1) |
| Gross profit rate | 37.4 % | 41.7 % | (4.3) pts. | |
| Total APAC | | | | |
| Revenue from services (including fee-based income) \$ | 97.7 | \$ 97.1 | 0.7 % | 0.5 % |
| Fee-based income | 5.4 | 7.1 | (26.2) | (25.7) |
| Gross profit | 16.3 | 17.8 | (8.8) | (8.8) |
| Total SG&A expenses | 15.4 | 19.0 | (19.0) | (18.9) |
| Earnings from operations | 0.9 | (1.2) | NM | |
| Gross profit rate | 16.6 % | 18.4 % | (1.8) pts. | |

| | | | |
|-------------------|------|-------|--------|
| Expense rates: | | | |
| % of revenue | 15.8 | 19.6 | (3.8) |
| % of gross profit | 94.7 | 106.6 | (11.9) |
| Operating margin | 0.9 | (1.2) | 2.1 |

OCG

| | | | | |
|--|----------|---------|------------|--------|
| Revenue from services (including fee-based income) | \$ 109.9 | \$ 91.4 | 20.2 % | 20.3 % |
| Fee-based income | 15.7 | 12.8 | 23.1 | 23.3 |
| Gross profit | 25.6 | 23.7 | 8.4 | 8.5 |
| Total SG&A excluding restructuring charges | 25.6 | 22.8 | 12.4 | |
| Restructuring charges | 0.8 | - | NM | |
| Total SG&A expenses | 26.4 | 22.8 | 15.6 | 15.6 |
| Asset impairments | 1.7 | - | NM | |
| Earnings from operations | (2.5) | 0.9 | NM | |
| Earnings from operations excluding restructuring charges | (1.7) | 0.9 | NM | |
| Gross profit rate | 23.3 % | 25.9 % | (2.6) pts. | |
| Expense rates (excluding restructuring charges): | | | | |
| % of revenue | 23.3 | 25.0 | (1.7) | |
| % of gross profit | 100.1 | 96.5 | 3.6 | |
| Operating margin (excluding restructuring charges) | (1.5) | 0.9 | (2.4) | |

KELLY SERVICES, INC. AND SUBSIDIARIES
RESULTS OF OPERATIONS BY SEGMENT
(UNAUDITED)

(In millions of dollars)

| | <i>June Year to Date</i> | | | |
|-----------------|--------------------------|-------------|---------------|---|
| | <u>2013</u> | <u>2012</u> | <u>Change</u> | <u>Constant Currency Change</u> |
| AMERICAS | | | | |

Commercial

| | | | | |
|---|------------|------------|--------|--------|
| Revenue from services (including fee-based income) | \$ 1,287.1 | \$ 1,337.9 | (3.8)% | (3.7)% |
| Fee-based income | 7.9 | 7.7 | 3.3 | 4.1 |
| Gross profit | 187.7 | 195.7 | (4.1) | (3.9) |
| Gross profit rate | 14.6% | 14.6% | - pts. | |

PT

| | | | | |
|---|----------|----------|----------|--------|
| Revenue from services (including fee-based income) | \$ 510.6 | \$ 512.5 | (0.4)% | (0.5)% |
| Fee-based income | 8.0 | 7.6 | 4.1 | 4.1 |
| Gross profit | 81.5 | 79.9 | 1.9 | 1.9 |
| Gross profit rate | 16.0% | 15.6% | 0.4 pts. | |

Total Americas

| | | | | |
|---|------------|------------|----------|--------|
| Revenue from services (including fee-based income) | \$ 1,797.7 | \$ 1,850.4 | (2.9)% | (2.8)% |
| Fee-based income | 15.9 | 15.3 | 3.7 | 4.1 |
| Gross profit | 269.2 | 275.6 | (2.3) | (2.2) |
| Total SG&A expenses | 213.0 | 201.9 | 5.5 | 5.6 |
| Earnings from operations | 56.2 | 73.7 | (23.7) | |
| Gross profit rate | 15.0% | 14.9% | 0.1 pts. | |
| Expense rates: | | | | |
| % of revenue | 11.8 | 10.9 | 0.9 | |
| % of gross profit | 79.1 | 73.3 | 5.8 | |
| Operating margin | 3.1 | 4.0 | (0.9) | |

EMEA**Commercial**

| | | | | |
|---|----------|----------|------------|--------|
| Revenue from services (including fee-based income) | \$ 420.8 | \$ 426.7 | (1.4)% | (1.5)% |
| Fee-based income | 10.7 | 12.3 | (13.4) | (13.2) |
| Gross profit | 64.9 | 67.7 | (4.1) | (4.4) |
| Gross profit rate | 15.4% | 15.9% | (0.5) pts. | |

PT

| | | | | |
|---|---------|---------|------------|--------|
| Revenue from services (including fee-based income) | \$ 86.6 | \$ 83.8 | 3.3 % | 3.1 % |
| Fee-based income | 7.9 | 9.0 | (12.6) | (12.4) |
| Gross profit | 21.2 | 22.2 | (4.4) | (4.5) |
| Gross profit rate | 24.5 % | 26.4 % | (1.9) pts. | |

Total EMEA

| | | | | |
|--|----------|----------|------------|--------|
| Revenue from services (including fee-based income) | \$ 507.4 | \$ 510.5 | (0.6)% | (0.7)% |
| Fee-based income | 18.6 | 21.3 | (13.1) | (12.9) |
| Gross profit | 86.1 | 89.9 | (4.2) | (4.4) |
| SG&A expenses excluding restructuring charges | 82.1 | 86.4 | (5.0) | |
| Restructuring charges | (0.2) | (2.2) | 93.8 | |
| Total SG&A expenses | 81.9 | 84.2 | (2.7) | (2.9) |
| Earnings from operations | 4.2 | 5.7 | (25.7) | |
| Earnings from operations excluding restructuring charges | 4.0 | 3.5 | 16.0 | |
| Gross profit rate | 17.0 % | 17.6 % | (0.6) pts. | |
| Expense rates (excluding restructuring charges): | | | | |
| % of revenue | 16.2 | 16.9 | (0.7) | |
| % of gross profit | 95.2 | 96.1 | (0.9) | |
| Operating margin (excluding restructuring charges) | 0.8 | 0.7 | 0.1 | |

KELLY SERVICES, INC. AND SUBSIDIARIES
RESULTS OF OPERATIONS BY SEGMENT
(UNAUDITED)

(In millions of dollars)

| <i>June Year to Date</i> | | | Constant Currency Change |
|--------------------------|-------------|---------------|---|
| <u>2013</u> | <u>2012</u> | <u>Change</u> | |

APAC**Commercial**

| | | | | |
|---|----------|----------|------------|--------|
| Revenue from services (including fee-based income) | \$ 169.2 | \$ 172.6 | (2.0)% | (2.0)% |
| Fee-based income | 5.6 | 6.4 | (13.4) | (12.5) |
| Gross profit | 24.1 | 25.6 | (5.9) | (5.7) |
| Gross profit rate | 14.2 % | 14.8 % | (0.6) pts. | |

PT

| | | | | |
|---|---------|---------|------------|---------|
| Revenue from services (including fee-based income) | \$ 20.2 | \$ 25.6 | (21.2)% | (20.5)% |
| Fee-based income | 4.5 | 8.1 | (45.4) | (45.0) |
| Gross profit | 7.1 | 10.5 | (33.1) | (32.5) |
| Gross profit rate | 34.9 % | 41.1 % | (6.2) pts. | |

Total APAC

| | | | | |
|--|----------|----------|------------|--------|
| Revenue from services (including fee-based income) | \$ 189.4 | \$ 198.2 | (4.5)% | (4.3)% |
| Fee-based income | 10.1 | 14.5 | (31.2) | (30.6) |
| Gross profit | 31.2 | 36.1 | (13.8) | (13.5) |
| SG&A expenses excluding restructuring charges | 31.0 | 38.7 | (20.0) | |
| Restructuring charges | 0.2 | - | NM | |
| Total SG&A expenses | 31.2 | 38.7 | (19.4) | (19.1) |
| Earnings from operations | - | (2.6) | 98.9 | |
| Earnings from operations excluding restructuring charges | 0.2 | (2.6) | NM | |
| Gross profit rate | 16.4 % | 18.2 % | (1.8) pts. | |
| Expense rates (excluding restructuring charges): | | | | |
| % of revenue | 16.3 | 19.5 | (3.2) | |
| % of gross profit | 99.3 | 107.1 | (7.8) | |
| Operating margin (excluding restructuring charges) | 0.1 | (1.3) | 1.4 | |

OCG

| | | | | |
|--|----------|----------|-------------|--------|
| Revenue from services (including fee-based income) | \$ 208.9 | \$ 178.1 | 17.3 % | 17.4 % |
| Fee-based income | 30.3 | 24.4 | 24.4 | 24.7 |
| Gross profit | 52.7 | 46.8 | 12.6 | 12.8 |
| SG&A expenses excluding restructuring charges | 51.0 | 45.4 | 12.3 | |
| Restructuring charges | 0.8 | - | NM | |
| Total SG&A expenses | 51.8 | 45.4 | 13.9 | 14.0 |
| Asset impairments | 1.7 | - | NM | |
| Earnings from operations | (0.8) | 1.4 | NM | |
| Earnings from operations excluding restructuring charges | - | 1.4 | NM | |
| Gross profit rate | 25.2 % | 26.3 % | (1.1) pts. | |
| Expense rates (excluding restructuring charges): | | | | |
| % of revenue | 24.4 | 25.5 | (1.1) | |
| % of gross profit | 96.8 | 97.1 | (0.3) | |
| Operating margin (excluding restructuring charges) | - | 0.7 | (0.7) | |

KELLY SERVICES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

(In millions of dollars)

| | <u>June 30, 2013</u> | <u>Dec. 30, 2012</u> | <u>July 1, 2012</u> |
|--|--------------------------|--------------------------|-------------------------|
| Current Assets | | | |
| Cash and equivalents | \$ 70.3 | \$ 76.3 | \$ 65.2 |
| Trade accounts receivable, less allowances of \$9.8 and \$10.4 and \$11.8, respectively | 1,038.8 | 1,013.9 | 985.0 |
| Prepaid expenses and other current assets | 60.0 | 57.5 | 57.9 |
| Deferred taxes | 39.0 | 44.9 | 33.4 |
| | <u>1,208.1</u> | <u>1,192.6</u> | <u>1,141.5</u> |
| Total current assets | 1,208.1 | 1,192.6 | 1,141.5 |
| Property and Equipment, Net | 87.2 | 89.9 | 90.3 |

| | | | |
|---|-------------------|-------------------|-------------------|
| Noncurrent Deferred Taxes | 103.1 | 82.8 | 93.4 |
| Goodwill, Net | 90.3 | 89.5 | 91.4 |
| Other Assets | <u>227.8</u> | <u>180.9</u> | <u>168.4</u> |
| Total Assets | <u>\$ 1,716.5</u> | <u>\$ 1,635.7</u> | <u>\$ 1,585.0</u> |
| Current Liabilities | | | |
| Short-term borrowings | \$ 83.2 | \$ 64.1 | \$ 88.5 |
| Accounts payable and accrued liabilities | 289.2 | 295.6 | 269.5 |
| Accrued payroll and related taxes | 277.9 | 264.5 | 253.7 |
| Accrued insurance | 31.2 | 32.8 | 30.3 |
| Income and other taxes | <u>64.9</u> | <u>65.3</u> | <u>56.5</u> |
| Total current liabilities | 746.4 | 722.3 | 698.5 |
| Noncurrent Liabilities | | | |
| Accrued insurance | 41.4 | 43.5 | 51.4 |
| Accrued retirement benefits | 123.2 | 111.0 | 102.8 |
| Other long-term liabilities | <u>28.2</u> | <u>17.9</u> | <u>24.0</u> |
| Total noncurrent liabilities | 192.8 | 172.4 | 178.2 |
| Stockholders' Equity | | | |
| Common stock | 40.1 | 40.1 | 40.1 |
| Treasury stock | (60.6) | (61.6) | (63.2) |
| Paid-in capital | 28.9 | 27.1 | 27.4 |
| Earnings invested in the business | 719.1 | 700.0 | 678.3 |
| Accumulated other comprehensive income | <u>49.8</u> | <u>35.4</u> | <u>25.7</u> |
| Total stockholders' equity | <u>777.3</u> | <u>741.0</u> | <u>708.3</u> |
| Total Liabilities and Stockholders' Equity | <u>\$ 1,716.5</u> | <u>\$ 1,635.7</u> | <u>\$ 1,585.0</u> |
| <hr/> | | | |
| STATISTICS: | | | |
| Working Capital | \$ 461.7 | \$ 470.3 | \$ 443.0 |

| | | | |
|-------------------------------|-------|-------|--------|
| Current Ratio | 1.6 | 1.7 | 1.6 |
| Debt-to-capital % | 9.7 % | 8.0 % | 11.1 % |
| Global Days Sales Outstanding | 54 | 53 | 53 |

KELLY SERVICES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE 26 WEEKS ENDED JUNE 30, 2013 AND JULY 1, 2012
(UNAUDITED)
(In millions of dollars)

| | <u>2013</u> | <u>2012</u> |
|--|---------------|---------------|
| <i>Cash flows from operating activities</i> | | |
| Net earnings | \$ 22.9 | \$ 24.6 |
| Noncash adjustments: | | |
| Impairment of assets | 1.7 | - |
| Depreciation and amortization | 10.5 | 11.6 |
| Provision for bad debts | 0.5 | 0.6 |
| Stock-based compensation | 2.6 | 2.1 |
| Other, net | 0.7 | - |
| Changes in operating assets and liabilities | <u>(53.1)</u> | <u>(33.0)</u> |
| <i>Net cash (used in) from operating activities</i> | <u>(14.2)</u> | <u>5.9</u> |
| <i>Cash flows from investing activities</i> | | |
| Capital expenditures | (7.7) | (9.8) |
| Other investing activities | <u>(0.2)</u> | <u>-</u> |
| <i>Net cash used in investing activities</i> | <u>(7.9)</u> | <u>(9.8)</u> |
| <i>Cash flows from financing activities</i> | | |
| Net change in short-term borrowings | 19.1 | (7.8) |
| Dividend payments | <u>(3.8)</u> | <u>(3.8)</u> |
| <i>Net cash from (used in) financing activities</i> | <u>15.3</u> | <u>(11.6)</u> |
| <i>Effect of exchange rates on cash and equivalents</i> | <u>0.8</u> | <u>(0.3)</u> |

| | | |
|--|----------------|----------------|
| Net change in cash and equivalents | (6.0) | (15.8) |
| Cash and equivalents at beginning of period | <u>76.3</u> | <u>81.0</u> |
| Cash and equivalents at end of period | <u>\$ 70.3</u> | <u>\$ 65.2</u> |

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

| | <u>Second Quarter (Commercial, PT and OCG)</u> | | | |
|-----------------------|--|----------------|-------------|---|
| | <u>2013</u> | <u>2012</u> | <u>US\$</u> | <u>% Change Constant Currency</u> |
| Americas | | | | |
| United States | \$ 864.3 | \$ 874.4 | (1.2)% | (1.2)% |
| Canada | 55.0 | 62.0 | (11.3) | (10.1) |
| Mexico | 35.9 | 25.8 | 38.9 | 27.9 |
| Puerto Rico | 26.1 | 25.9 | 0.5 | 0.5 |
| Brazil | 13.4 | 14.4 | (7.0) | (0.9) |
| Total Americas | <u>994.7</u> | <u>1,002.5</u> | (0.8) | (0.9) |
| EMEA | | | | |
| France | 62.3 | 61.1 | 2.0 | 0.1 |
| Switzerland | 63.6 | 59.8 | 6.3 | 6.8 |
| Russia | 34.6 | 31.8 | 9.1 | 11.2 |
| United Kingdom | 25.8 | 26.0 | (1.0) | 2.0 |
| Portugal | 21.1 | 19.0 | 11.2 | 9.0 |
| Germany | 15.9 | 17.4 | (8.9) | (10.7) |
| Norway | 15.4 | 16.7 | (8.1) | (9.2) |
| Italy | 14.7 | 15.1 | (2.4) | (4.4) |
| Other | 17.3 | 15.6 | 11.4 | 9.2 |
| Total EMEA | <u>270.7</u> | <u>262.5</u> | 3.1 | 2.8 |

APAC

| | | | | |
|-----------------------------------|-------------------|-------------------|--------|---------|
| Australia | 35.3 | 32.3 | 9.1 | 11.2 |
| Singapore | 28.0 | 24.9 | 12.4 | 11.1 |
| Malaysia | 17.2 | 18.0 | (4.2) | (5.6) |
| New Zealand | 12.0 | 13.4 | (10.2) | (13.6) |
| Other | 9.0 | 12.5 | (27.7) | (25.5) |
| Total APAC | <u>101.5</u> | <u>101.1</u> | 0.4 | 0.3 |
| Total Kelly Services, Inc. | <u>\$ 1,366.9</u> | <u>\$ 1,366.1</u> | 0.1 % | (0.1) % |

KELLY SERVICES, INC. AND SUBSIDIARIES**REVENUE FROM SERVICES****(UNAUDITED)**

(In millions of dollars)

June Year to Date (Commercial, PT and OCG)

| | | | % Change | |
|-----------------------|----------------|----------------|-----------------|------------------------------|
| | 2013 | 2012 | US\$ | Constant Currency |
| Americas | | | | |
| United States | \$ 1,703.8 | \$ 1,732.9 | (1.7) % | (1.7) % |
| Canada | 111.0 | 121.5 | (8.6) | (7.7) |
| Mexico | 66.3 | 51.3 | 29.3 | 22.4 |
| Puerto Rico | 49.2 | 51.8 | (5.1) | (5.1) |
| Brazil | 31.9 | 32.4 | (1.8) | 8.7 |
| Total Americas | <u>1,962.2</u> | <u>1,989.9</u> | (1.4) | (1.3) |
| EMEA | | | | |
| France | 119.6 | 123.9 | (3.5) | (4.7) |
| Switzerland | 117.0 | 113.4 | 3.2 | 4.0 |
| Russia | 69.1 | 65.4 | 5.7 | 7.4 |
| United Kingdom | 51.6 | 53.7 | (3.9) | (1.9) |
| Portugal | 38.9 | 37.2 | 4.5 | 3.2 |
| Germany | 31.9 | 36.1 | (11.8) | (12.9) |
| Norway | 30.2 | 33.2 | (9.0) | (10.7) |
| Italy | 29.8 | 31.4 | (4.9) | (6.1) |

| | | | | |
|-----------------------------------|-------------------|-------------------|--------|--------|
| Other | 34.7 | 31.2 | 11.3 | 9.7 |
| Total EMEA | <u>522.8</u> | <u>525.5</u> | (0.5) | (0.6) |
| APAC | | | | |
| Australia | 68.0 | 66.2 | 2.8 | 4.6 |
| Singapore | 54.1 | 49.1 | 10.3 | 8.5 |
| Malaysia | 33.9 | 35.8 | (5.3) | (5.7) |
| New Zealand | 23.5 | 26.5 | (11.4) | (14.0) |
| Other | 17.2 | 27.9 | (38.3) | (35.6) |
| Total APAC | <u>196.7</u> | <u>205.5</u> | (4.3) | (4.1) |
| Total Kelly Services, Inc. | <u>\$ 2,681.7</u> | <u>\$ 2,720.9</u> | (1.4)% | (1.4)% |

KELLY SERVICES, INC. AND SUBSIDIARIES
RECONCILIATION OF NON-GAAP MEASURES
FOR THE 13 WEEKS ENDED JUNE 30, 2013 AND JULY 1, 2012
(UNAUDITED)

(In millions of dollars except per share data)

| | 2013 | | | 2012 | | % Change |
|--|----------------|--------------------------------------|----------------------------------|----------------------|----------------------|-------------|
| | As reported | Restructuring Charges (Note 1) | Asset Impairments (Note 2) | Adjusted Earnings | Adjusted Earnings | |
| Revenue from services | \$ 1,366.9 | \$ - | \$ - | \$ 1,366.9 | \$ 1,366.1 | 0.1 % |
| Cost of services | <u>1,146.2</u> | <u>-</u> | <u>-</u> | <u>1,146.2</u> | <u>1,142.9</u> | 0.3 |
| Gross profit | 220.7 | - | - | 220.7 | 223.2 | (1.1) |
| Selling, general and administrative expenses | 202.6 | (0.8) | - | 201.8 | 201.6 | 0.1 |
| Asset impairments | <u>1.7</u> | <u>-</u> | <u>(1.7)</u> | <u>-</u> | <u>-</u> | NM |

| | | | | | | |
|---|----------------|---------------|---------------|----------------|----------------|----------------|
| Earnings from operations | 16.4 | 0.8 | 1.7 | 18.9 | 21.6 | (12.5) |
| Other expense, net | <u>1.6</u> | <u>-</u> | <u>-</u> | <u>1.6</u> | <u>0.5</u> | <u>(234.2)</u> |
| Earnings from continuing operations before taxes | 14.8 | 0.8 | 1.7 | 17.3 | 21.1 | (18.3) |
| Income tax expense (benefit) | <u>4.8</u> | <u>-</u> | <u>-</u> | <u>4.8</u> | <u>8.3</u> | <u>(42.4)</u> |
| Earnings from continuing operations | <u>\$ 10.0</u> | <u>\$ 0.8</u> | <u>\$ 1.7</u> | <u>\$ 12.5</u> | <u>\$ 12.8</u> | <u>(5.8)%</u> |
| Earnings per share from continuing operations: | | | | | | |
| Basic | \$ 0.26 | \$ 0.02 | \$ 0.04 | \$ 0.33 | \$ 0.34 | (2.9)% |
| Diluted | \$ 0.26 | \$ 0.02 | \$ 0.04 | \$ 0.33 | \$ 0.34 | (2.9)% |

2012

| | <u>As reported</u> | <u>Restructuring Charges (Note 1)</u> | <u>Adjusted Earnings</u> |
|------------------------------|--------------------|---------------------------------------|--------------------------|
| Revenue from services | \$ 1,366.1 | \$ - | \$ 1,366.1 |
| Cost of services | <u>1,142.9</u> | <u>-</u> | <u>1,142.9</u> |
| Gross profit | 223.2 | - | 223.2 |

| | | | |
|---|----------------|-----------------|----------------|
| Selling, general and administrative expenses | <u>199.4</u> | <u>2.2</u> | <u>201.6</u> |
| Earnings from operations | 23.8 | (2.2) | 21.6 |
| Other expense, net | <u>0.5</u> | <u>-</u> | <u>0.5</u> |
| Earnings from continuing operations before taxes | 23.3 | (2.2) | 21.1 |
| Income tax expense (benefit) | <u>8.3</u> | <u>-</u> | <u>8.3</u> |
| Earnings from continuing operations | <u>\$ 15.0</u> | <u>\$ (2.2)</u> | <u>\$ 12.8</u> |
| Earnings per share from continuing operations: | | | |
| Basic | \$ 0.40 | \$ (0.06) | \$ 0.34 |
| Diluted | \$ 0.40 | \$ (0.06) | \$ 0.34 |

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 26 WEEKS ENDED JUNE 30, 2013 AND JULY 1, 2012
(UNAUDITED)

(In millions of dollars except per share data)

| | 2013 | | | 2012 | | % Change |
|---|--------------------|---------------------------------------|-----------------------------------|--------------------------|--------------------------|----------------|
| | <u>As reported</u> | <u>Restructuring Charges (Note 1)</u> | <u>Asset Impairments (Note 2)</u> | <u>Adjusted Earnings</u> | <u>Adjusted Earnings</u> | |
| Revenue from services | \$ 2,681.7 | \$ - | \$ - | \$ 2,681.7 | \$ 2,720.9 | (1.4) % |
| Cost of services | <u>2,244.1</u> | <u>-</u> | <u>-</u> | <u>2,244.1</u> | <u>2,274.0</u> | <u>(1.3)</u> |
| Gross profit | 437.6 | - | - | 437.6 | 446.9 | (2.1) |
| Selling, general and administrative expenses | 412.4 | (0.8) | - | 411.6 | 410.6 | 0.2 |
| Asset impairments | <u>1.7</u> | <u>-</u> | <u>(1.7)</u> | <u>-</u> | <u>-</u> | <u>NM</u> |
| Earnings from operations | 23.5 | 0.8 | 1.7 | 26.0 | 36.3 | (28.4) |
| Other expense, net | <u>2.6</u> | <u>-</u> | <u>-</u> | <u>2.6</u> | <u>1.1</u> | <u>(137.7)</u> |
| Earnings from continuing operations before taxes | 20.9 | 0.8 | 1.7 | 23.4 | 35.2 | (33.5) |
| Income tax expense (benefit) | <u>(2.0)</u> | <u>-</u> | <u>-</u> | <u>(2.0)</u> | <u>13.2</u> | <u>(115.4)</u> |
| Earnings from continuing operations | <u>\$ 22.9</u> | <u>\$ 0.8</u> | <u>\$ 1.7</u> | <u>\$ 25.4</u> | <u>\$ 22.0</u> | <u>13.1 %</u> |

Earnings per share from continuing operations:

| | | | | | | |
|---------|---------|---------|---------|---------|---------|--------|
| Basic | \$ 0.60 | \$ 0.02 | \$ 0.04 | \$ 0.67 | \$ 0.58 | 15.5 % |
| Diluted | \$ 0.60 | \$ 0.02 | \$ 0.04 | \$ 0.67 | \$ 0.58 | 15.5 % |

2012

| | <u>As reported</u> | <u>Restructuring Charges (Note 1)</u> | <u>Adjusted Earnings</u> |
|---|--------------------|---------------------------------------|--------------------------|
| Revenue from services | \$ 2,720.9 | \$ - | \$ 2,720.9 |
| Cost of services | <u>2,274.0</u> | <u>-</u> | <u>2,274.0</u> |
| Gross profit | 446.9 | - | 446.9 |
| Selling, general and administrative expenses | 408.4 | 2.2 | 410.6 |
| Asset impairments | <u>-</u> | <u>-</u> | <u>-</u> |
| Earnings from operations | 38.5 | (2.2) | 36.3 |
| Other expense, net | <u>1.1</u> | <u>-</u> | <u>1.1</u> |
| Earnings from continuing operations before taxes | 37.4 | (2.2) | 35.2 |

| | | | |
|------------------------------|------|---|------|
| Income tax expense (benefit) | 13.2 | - | 13.2 |
|------------------------------|------|---|------|

| | | | |
|--|----------------|-----------------|----------------|
| Earnings from continuing operations | \$ 24.2 | \$ (2.2) | \$ 22.0 |
|--|----------------|-----------------|----------------|

Earnings per share from continuing operations:

| | | | |
|---------|---------|-----------|---------|
| Basic | \$ 0.64 | \$ (0.06) | \$ 0.58 |
| Diluted | \$ 0.64 | \$ (0.06) | \$ 0.58 |

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 restructuring charges and asset impairment charges is useful to understand the Company's fiscal 2013 financial performance and increases comparability. Specifically, Management believes that excluding 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) During the second quarter of 2013, the Company made the decision to exit the executive search business operating in Germany. The restructuring charges primarily relate to severance costs from exiting this business. In the second quarter of 2012, restructuring

costs relate primarily to revisions of the estimated lease termination costs for EMEA Commercial branches that closed in prior years.

- (2) Asset impairment charges represent the write-off of the carrying value of long-lived assets related to the decision to exit the executive search business operating in Germany.

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