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Vision

To be the most creative, insightful, and agile talent company, committed to uniting vital talent with great organizations where, together, we thrive.

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

FORM 10-K

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

For the fiscal year ended January 2, 2022

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 0-1088

KELLY SERVICES, INC.

(Exact Name of Registrant as specified in its Charter)

Delaware

38-1510762

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification No.)

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)

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

Title of each class	Trading Symbols	Name of each exchange on which registered
Class A Common	KELYA	NASDAQ Global Market
Class B Common	KELYB	NASDAQ Global Market

Securities Registered Pursuant to Section 12(g) of the Act: None

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

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

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 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, a smaller reporting company or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer (Do not check if a smaller reporting company)	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant has filed a report on and attestation to its management’s assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant’s most recently completed second fiscal quarter, was approximately \$824.2 million.

Registrant had 36,041,230 shares of Class A and 3,358,621 of Class B common stock, par value \$1.00, outstanding as of February 6, 2022.

Documents Incorporated by Reference

The proxy statement of the registrant with respect to its 2022 Annual Meeting of Stockholders is incorporated by reference in Part III.

PART I

Unless the context otherwise requires, throughout this Annual Report on Form 10-K the words “Kelly,” “Kelly Services,” “the Company,” “we,” “us” and “our” refer to Kelly Services, Inc. and its consolidated subsidiaries.

ITEM 1. BUSINESS.

History and Development of Business

Founded by William Russell Kelly in 1946, Kelly Services® pioneered an industry that connects people to work in ways that enrich their lives. Our inception helped usher in and embolden a workforce of women, opening doors and creating completely new opportunities. Over the next 75 years, as work evolved, Kelly equipped people with skills to master the technologies of the day: launching the first-of-its-kind online learning center for scientists; creating testing and training packages for breakthrough office programs; and launching skill builders that aligned with new light industrial protocols. With each advance, Kelly met the needs of the marketplace; empowering our people to reach their personal goals and enabling our clients to access skilled talent to move their businesses forward.

As work has evolved so has Kelly's range of solutions, growing over the years to reflect the changing needs of businesses and the desires and lifestyles of talent. We have progressed from a traditional office staffing business to a creative, insightful and agile talent company delivering expertise in a portfolio of specialty services. In line with market demand, we are increasingly delivering a variety of outcome-based services in which we provide specialized talent and operational management of functions and departments on behalf of our clients.

We rank as one of the world's largest scientific and clinical research staffing providers and place talent at various levels in engineering, IT and telecommunications specialties. We are also a leading education staffing provider in the U.S., as well as providing talent across the full education spectrum from early childhood education to higher education. These services complement our expertise in professional office services, contact center and light industrial staffing. As work has evolved and talent management has become more complex, we have also developed innovative solutions to help many of the world's largest companies plan for and manage their workforce through recruitment outsourcing, payroll processing, talent advisory, career transition and supplier management services.

Geographic Breadth of Services

Headquartered in the United States, Kelly provides workforce solutions to a diverse group of local, regional and global clients in the Americas, Europe and the Asia-Pacific regions across a variety of industries.

In 2021, we assigned more than 350,000 temporary employees to a variety of customers around the globe.

Description of Business Segments

Kelly is a specialty talent solutions company organized into five specialty businesses, which are also our reportable segments, serving clients of all sizes across a variety of industries. This structure enables us to focus on specialties with robust demand, promising growth opportunities and areas in which we excel at attracting and placing talent.

- Professional & Industrial – delivers staffing, outcome-based and direct-hire services focused on office, professional, light industrial and contact center specialties in the U.S. and Canada, including our KellyConnect and Skilled Professional Solutions products
- Science, Engineering & Technology – delivers staffing, outcome-based and direct-hire services focused on science and clinical research, engineering, technology and telecommunications specialties predominantly in the U.S. and Canada and includes our Softworld, NextGen and Global Technology Associates subsidiaries
- Education – delivers staffing, direct-hire and executive search services across the full education spectrum from early childhood to higher education in the U.S. and includes Teachers On Call, Insight Workforce Solutions and Greenwood/Asher
- Outsourcing & Consulting – delivers Managed Service Provider ("MSP"), Recruitment Process Outsourcing ("RPO"), Payroll Process Outsourcing ("PPO") and Talent Advisory Services to customers on a global basis

- International – delivers staffing, RPO and direct-hire services in 15 countries in Europe, as well as services in Mexico delivered in accordance with recent changes in labor market regulations

In addition, PersolKelly Pte. Ltd., our joint venture with Persol Asia Pacific Pte. Ltd., a wholly owned subsidiary of Persol Holdings Co., Ltd., a leading provider of HR solutions in Japan, provides staffing and direct hire services to customers in the Asia Pacific region.

Financial information regarding our reportable segments is included in the Segment Disclosures footnote in the notes to our consolidated financial statements presented in Part II, Item 8 of this report.

Business Objectives

By connecting our clients with qualified talent in an ever-evolving world of work, Kelly has a positive impact on the people, businesses and communities we serve. As a destination for top talent and a strategic business partner for our clients, we continue to adopt innovative business practices and forward-looking technologies that drive success in a dynamic market. With more than one-third of the world's workforce now participating as independent workers, we help companies adopt strategies that recognize and utilize contingent labor, consultants and project-based work as enablers of their ongoing success.

We're also using our position in the middle of the talent supply and demand equation to challenge outdated barriers that hold back far too many people from attaining meaningful work, supporting their families and contributing to the economy. Our Equity@Work initiative seeks to upend systemic barriers to employment and make the labor market more equitable and accessible for more people. While systemic change takes time, we continue to make progress with additional outreach, new alliances and partnerships and continued executive commitment.

Business Operations

Service Marks

We own numerous service marks that are registered with the United States Patent and Trademark Office, the European Union Intellectual Property Office and numerous individual country trademark offices.

Seasonality

Our quarterly operating results are affected by the seasonality of our customers' businesses which impact the demand for our services. With the exception of our Education operating segment, demand for our services historically has been lower during the first quarter, and typically increases during the remainder of the year. Our Education operating segment generally has its lowest revenue in the third quarter in line with schools' summer break.

Working Capital

Our working capital requirements are primarily generated from employee payroll which is generally paid weekly or monthly and customer accounts receivable which is generally outstanding for longer periods, with days sales outstanding ("DSO") of 60 days as of January 2, 2022. Since receipts from customers lag payroll payments to temporary employees, working capital requirements increase and operating cash flows decrease substantially in periods of growth. Conversely, when economic activity slows, working capital requirements may substantially decrease and operating cash flows increase. Such increases dissipate over time if the economic downturn continues for an extended period.

Customers

Kelly's client portfolio spans companies of all sizes, ranging from local and mid-sized businesses to the Fortune 500. In 2021, an estimated 56% of total company revenue was attributed to our largest 100 customers. Our largest single customer accounted for approximately five percent of total revenue in 2021.

Government Contracts

Although we conduct business under various federal, state and local government contracts, no one contract represents more than three percent of total company revenue in 2021.

Competition

The worldwide workforce solutions industry is competitive and highly fragmented. In the United States, we compete with other firms that operate nationally and offer a breadth of service similar to ours, and with thousands of smaller regional or specialized companies that compete in varying degrees. Outside the United States, we face similar competition. In 2021, our largest competitors were Randstad, Adecco Group, ManpowerGroup Inc., Recruit Holdings and Allegis Group.

Key factors that influence our success are quality of service, price and breadth of service.

Quality of service is highly dependent on the availability of qualified talent, and our ability to promptly and effectively recruit, screen, train, retain and manage a pool of employees who match the skills required by our customers. We must balance competitive pricing pressures, which may intensify during an economic downturn, with the need to attract and retain a qualified workforce. Price competition in the staffing industry is intense, particularly for education, office clerical and light industrial personnel and pricing pressure from customers and competitors continues to be significant.

Companies increasingly seek a single supplier to manage all of their demand for contingent talent. To provide the breadth of service required, clients may need us to manage staffing suppliers and independent workers on their behalf. Kelly seeks to address this requirement for our clients, enabling us to deliver talent wherever and whenever they need it around the world.

Corporate Sustainability

Kelly is committed to the highest standards of corporate citizenship. Given the worldwide reach of our workers, clients, suppliers and partners, we recognize the global impact of our business practices and the importance of public accountability. We continue to advocate on behalf of the global workforce, improve our workplaces, contribute to the communities we serve and ensure our actions are socially, ethically and environmentally responsible.

Regulation

Our services are subject to a variety of complex federal and state laws and regulations in the countries where we operate. We continuously monitor legislation and regulatory changes for their potential effect on our business. We invest in technology and process improvements to implement required changes while minimizing the impact on our operating efficiency and effectiveness. Regulatory cost increases are passed through to our clients to the fullest extent possible. As a service business, we are not materially impacted by federal, state or local laws that regulate the discharge of materials into the environment.

Human Capital

We are a talent solutions company dedicated to connecting people to work in ways that enrich their lives, and our employees are critical to achieving this noble purpose. To succeed in our highly competitive and rapidly evolving market, it is crucial that we attract and retain experienced internal employees, as well as the talent we put to work for our customers. As part of these efforts, we strive to offer competitive total rewards programs, promote employee development, foster an inclusive and diverse environment and give employees the opportunity to give back to their communities and make a social impact.

We are committed to the health, safety and wellness of our employees and talent. The success of our business is fundamentally connected to the well-being of our people. Accordingly, we seek to implement policies and practices that align with applicable laws and regulations and are in the best interest of our employees and talent, and the communities in which we operate.

Internal Employees

As of January 2, 2022, we employed approximately 4,500 staff members in the United States and an additional 2,900 in our international locations. Kelly retention rates for employees identified as High Performing and High Potential align with our comparable external benchmark.

Compensation and Benefits. Kelly is committed to providing competitive, equitable and fiscally responsible total rewards programs to our employees. Our compensation programs are designed to attract, retain and reward talented individuals who possess the skills necessary to achieve our strategic goals and create long-term value for our shareholders. We provide employees with competitive compensation opportunities, with strong pay for performance linkages that include a mix of base salary, short-term incentives and, in the case of our more senior employees, long-term equity awards. We believe that our programs provide fair and competitive opportunities that align employee and stockholder interests. In addition to cash and equity compensation, we also offer employees competitive benefits such as life and health (medical, dental and vision)

insurance, paid time off, wellness benefits and defined contribution retirement plans. We review our compensation and benefit programs regularly and respond to changes in market practice. Recent changes have included enhancements to our U.S. paid time off for mental health and well-being, voting and family and parental support. Pay and benefits programs provided to our international employees are in line with competitive local practice.

Inclusion and Diversity. Since 1947, our founder fought to increase access to work for women and we've long been an outspoken advocate for the value temporary and independent workers bring to the workplace. We are committed to fostering an inclusive and diverse workforce. For example, a significant majority of Kelly's U.S. workforce is female, including a majority of director and above roles. Additionally, for a fifth consecutive year, we've achieved a 100% rating from the Human Rights Campaign Foundation's Corporate Equality Index for LGBTQ+ equality in the workplace. We believe an inclusive environment with diverse teams creates a workplace that is conducive to producing more creative solutions, results in better, more innovative products and services and presents Kelly as a workplace leader, aiding our ability to attract and retain key talent. We are focused on fostering a culture of belonging, where everyone feels welcomed and respected and can thrive as we work together. Kelly promotes employee development and internal career mobility to enable our team to achieve their full potential and to ensure we have the evolving workforce capabilities that the future demands.

Community Involvement. We consider sustainability to be a guiding principle in strengthening the relationship with our global workforce, suppliers and customers. Through our programs and initiatives, we seek to contribute to improving the quality of life of our employees, their families, as well as the communities in which they operate. Designed on the concept of social investment and creating shared values, our approach ensures the creation of future development capacities instead of aiding on isolated occasions. We support initiatives where our employees can actively engage in the causes they believe in that are also connected to our sustainability strategy. Through our Equity@Work initiative, we are living our commitment to ensure equitable access to work and growth for all by creating alliances with like-minded companies, policy groups and institutions to positively impact the way companies hire, advance and help more people thrive.

For more information on our diversity and inclusion and community involvement initiatives, please see our *Sustainability Report - Growing with Purpose*, which is available at kellyservices.com.

Talent

In addition to our internal employees, Kelly recruits talent on behalf of our customers on a global basis. In 2021, we placed more than 350,000 individuals in positions with our customers. Kelly remains the employer of record for all employees working at our customer locations. This means that we retain responsibility for all assignments (including ensuring appropriate health and safety protocols in conjunction with our customers), wages, benefits, workers' compensation insurance, and the employers' share of applicable payroll taxes as well as the administration of the employees' share of these taxes. We also offer our Kelly talent access to competitive health and benefit programs while they are working with us.

Foreign Operations

For information regarding sales, earnings from operations and long-lived assets by domestic and foreign operations, please refer to the information presented in the Segment Disclosures footnote in the notes to our consolidated financial statements, presented in Part II, Item 8 of this report.

Access to Company Information

We electronically file our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and all amendments to those reports with the Securities and Exchange Commission ("SEC"). The SEC maintains an Internet website at www.sec.gov that contains reports, proxy and information statements and other information regarding issuers that file electronically.

We make available, free of charge, through our website, and by responding to requests addressed to our senior vice president of investor relations, our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and all amendments to those reports. These reports are available as soon as reasonably practicable after such material is electronically filed with or furnished to the SEC. Our website address is: www.kellyservices.com. The information contained on our website, or on other websites linked to our website, is not part of this report.

ITEM 1A. RISK FACTORS.

Risks Related to Macroeconomic Conditions

Our business is significantly affected by fluctuations in general economic conditions.

Demand for staffing services is significantly affected by the general level of economic activity and employment in the United States and the other countries in which we operate. When economic activity increases, temporary employees are often added before full-time employees are hired. As economic activity slows, however, many companies reduce their use of temporary employees before laying off full-time employees. Customer responses to real or perceived economic conditions, including perceptions related to market conditions, labor supply and inflation, could negatively impact customer behavior. Significant swings in economic activity historically have had a disproportionate impact on staffing industry volumes. We may not fully benefit from times of increased economic activity should we experience shortages in the supply of temporary employees. We may also experience more competitive pricing pressure and slower customer payments during periods of economic downturn. A substantial portion of our revenues and earnings are generated by our business operations in the United States. Any significant economic downturn in the United States or certain other countries in which we operate could have a material adverse effect on our business, financial condition and results of operations.

Our business has been adversely impacted by the novel coronavirus (COVID-19) outbreak and could be impacted by future outbreaks.

The COVID-19 outbreak and related containment and mitigation efforts negatively impacted the economies and general welfare in the countries in which we operate, as well as in the countries where our customers provide goods and services. This resulted in a decline in demand for our services. The overall threat of COVID-19 in the countries in which we operate has been reduced with the advent of health and safety measures, effective vaccines, and treatment regimens to combat current known strains of COVID-19 and demand for our services has increased. The emergence of new strain(s) of COVID-19 that are more deadly, contagious, or vaccine resistant, or a decline in the effectiveness of vaccines or treatment regimens could result in another economic downturn or a decline in demand for our services. Likewise, the financial viability of third parties on which we rely to provide staffing services or manage critical business functions could also be impacted by further negative COVID-19 developments. Future government actions or business decisions by customers made in response to the COVID-19 pandemic, including automation, social distancing and remote work, and vaccination and testing programs could negatively impact customer demand for our services.

Our stock price may be subject to significant volatility and could suffer a decline in value.

The market price of our common stock may be subject to significant volatility. We believe that many factors, including several which are beyond our control, have a significant effect on the market price of our common stock. These include:

- actual or anticipated variations in our quarterly operating results;
- announcements of new services by us or our competitors;
- announcements relating to strategic relationships or acquisitions;
- changes in financial estimates by securities analysts;
- changes in general economic conditions;
- actual or anticipated changes in laws and government regulations;
- commencement of, or involvement in, litigation;
- any major change in our board or management;
- changes in industry trends or conditions; and
- sales of significant amounts of our common stock or other securities in the market.

In addition, the stock market in general, and the NASDAQ Global Market in particular, have experienced significant price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of listed companies. These broad market and industry factors may seriously harm the market price of our common stock, regardless of our operating performance. In the past, securities class action litigation has often been instituted following periods of volatility in the market price of a company's securities. A securities class action suit against us could result in substantial costs, potential liabilities and the diversion of our management's attention and resources. Further, our operating results may be below the expectations of securities analysts or investors. In such event, the price of our common stock may decline.

Risks Related to our Industry Segment

We operate in a highly competitive industry with low barriers to entry and may be unable to compete successfully against existing or new competitors.

The worldwide staffing services market is highly competitive with limited barriers to entry. We compete in global, national, regional and local markets with full-service and specialized temporary staffing and consulting companies. Randstad, Adecco Group, ManpowerGroup Inc., Recruit Holdings and Allegis Group are considerably larger than we are and have more substantial marketing and financial resources. Additionally, the emergence of online staffing platforms or other forms of disintermediation may pose a competitive threat to our services, which operate under a more traditional staffing business model. Price competition in the staffing industry is intense, particularly for the provision of office clerical, light industrial and education personnel. We expect that the level of competition will remain high, which could limit our ability to maintain or increase our market share or profitability.

The number of customers distributing their staffing service purchases among a broader group of competitors continues to increase which, in some cases, may make it more difficult for us to obtain new customers, or to retain or maintain our current share of business, with existing customers. We also face the risk that our current or prospective customers may decide to provide similar services internally. As a result, there can be no assurance that we will not encounter increased competition in the future.

Technological advances may significantly disrupt the labor market and weaken demand for human capital.

Our success is directly dependent on our customers' demands for talent. As technology continues to evolve, more tasks currently performed by people may be replaced by automation, robotics, machine learning, artificial intelligence, and other technological advances outside of our control. This trend poses a risk to the staffing industry, particularly in lower-skill job categories that may be more susceptible to such replacement. If we are unsuccessful in responding to this potential shift in customer demand due to advancing technology it could have a material adverse effect on our results of operations and financial condition.

Competition rules arising from government legislation, litigation or regulatory activity may limit how we structure and market our services.

As a leading staffing and recruiting company, we are closely scrutinized by government agencies under U.S. and foreign competition laws. An increasing number of governments are regulating competition law activities, leading to increased scrutiny. Some jurisdictions also allow competitors or consumers to assert claims of anti-competitive conduct.

The European Commission and its various competition authorities have targeted industry trade associations in which we participate, resulting in the assessment of fines against our business in the past. Although we have safeguards in place to comply with competition laws, there can be no guarantee that such safeguards will be successful. Any government regulatory actions may result in fines and penalties or hamper our ability to provide the cost-effective benefits to consumers and businesses, reducing the attractiveness of our services and the revenues that come from them. New competition law actions could be initiated. The outcome of such actions, or steps taken to avoid them, could adversely affect us in a variety of ways, including:

- We may have to choose between withdrawing certain services from certain geographies to avoid fines or designing and developing alternative versions of those services to comply with government rulings, which may entail a delay in a service delivery.
- Adverse rulings may act as precedent in other competition law proceedings.

Our business is subject to extensive government regulation, which may restrict the types of employment services we are permitted to offer or result in additional or increased taxes, including payroll taxes or other costs that reduce our revenues and earnings.

The temporary employment industry is heavily regulated in many of the countries in which we operate. Changes in laws or government regulations may result in prohibition or restriction of certain types of employment services we are permitted to offer or the imposition of new or additional benefit, licensing or tax requirements that could reduce our revenues and earnings. In particular, we are subject to state unemployment taxes in the U.S., which typically increase during periods of increased levels of unemployment. We also receive benefits, such as the work opportunity income tax credit in the U.S., that regularly expire

and may not be reinstated. There can be no assurance that we will be able to increase the fees charged to our customers in a timely manner and in a sufficient amount to fully cover increased costs as a result of any changes in laws or government regulations. Any future changes in laws or government regulations, or interpretations thereof, including additional laws and regulations enacted at a local level may make it more difficult or expensive for us to provide staffing services and could have a material adverse effect on our business, financial condition and results of operations.

Unexpected changes in claim trends on our workers' compensation, unemployment, disability and medical benefit plans may negatively impact our financial condition.

We self-insure, or otherwise bear financial responsibility for, a significant portion of expected losses under our workers' compensation program, disability and medical benefits claims. Unexpected changes in claim trends, including the severity and frequency of claims, actuarial estimates and medical cost inflation, could result in costs that are significantly different than initially reported. If future claims-related liabilities increase due to unforeseen circumstances, or if we must make unfavorable adjustments to accruals for prior accident years, our costs could increase significantly. In addition, unemployment insurance costs are dependent on benefit claims experience from employees which may vary from current levels and result in increased costs. There can be no assurance that we will be able to increase the fees charged to our customers in a timely manner and in a sufficient amount to cover increased costs as a result of any changes in claims-related liabilities.

We may have additional tax liabilities that exceed our estimates.

We are subject to a multitude of federal, state, local, and foreign taxes in the jurisdictions we operate in, including the tax provisions of the U.S. Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010. Our tax expense could be materially impacted by changes in tax laws in these jurisdictions, changes in the valuation of deferred tax assets and liabilities or changes in the mix of income by country. The overall size of our workforce and visibility of our industry may make it more likely we become a target of government investigations, and we are regularly subject to audit by tax authorities. Although we believe our tax estimates are reasonable, the final determination of audits and any related litigation could be materially different from our historical tax provisions and accruals. The results of an audit or litigation could materially harm our business.

Risks Related to Strategy and Execution

Our future performance depends on the Company's effective execution of our business strategy.

The performance of the Company's business is dependent on our ability to effectively execute our growth strategy. Our strategy includes targeted investments in select specialty areas, focusing on growth platforms and implementation of a robust operating model to bridge our strategy to execution. If we are unsuccessful in executing our strategy, we may not achieve either our stated goal of revenue growth or the intended productivity improvements, which could negatively impact profitability. Even if effectively executed, our strategy may be insufficient considering changes in market conditions, technology, competitive pressures or other external factors.

If we fail to successfully develop new service offerings, we may be unable to retain and acquire customers, resulting in a decline in revenues.

The Company's successful execution of our growth strategy requires that we match evolving customer expectations with evolving service offerings. The development of new service offerings requires accurate anticipation of customer needs and emerging technology trends. We must make long-term investments in our information technology infrastructure and commit resources to development efforts before knowing whether these investments will result in service offerings that achieve customer acceptance and generate the revenues required to provide desired returns. If we fail to accurately anticipate and meet our customers' needs through the development of new service offerings or do not successfully deliver new service offerings, our competitive position could weaken, causing a material adverse effect on our results of operations and financial condition.

A loss of major customers or a change in such customers' buying behavior or economic strength could have a material adverse effect on our business.

We serve many large corporate customers through high volume service agreements. While we intend to maintain or increase our revenues and earnings from our major corporate customers, we are exposed to risks arising from the possible loss of major customer accounts. A change in labor strategy or the deterioration of the financial condition or business prospects of these customers could reduce their need for our services and result in a significant decrease in the revenues and earnings we derive from these customers. Such change could occur due to factors in our customers' control but also could occur due to economic,

social, climate, or political factors outside of our customers' control. Our customers are also exposed to third-party risk through their use of vendors and suppliers which, in the event of a third-party incident at a customer, could result in a deterioration in their financial condition. Continuing merger and acquisition activity involving our large corporate customers could put existing business at risk or impose additional pricing pressures. Since receipts from customers generally lag payroll to temporary employees, the bankruptcy of a major customer could have a material adverse impact on our ability to meet our working capital requirements. Additionally, most of our customer contracts can be terminated by the customer on short notice without penalty. This creates uncertainty with respect to the revenues and earnings we may recognize with respect to our customer contracts.

Our business with large customer accounts reflects a market-driven shift in buying behaviors in which reliance on a small number of staffing partners has shifted to reliance upon a network of talent providers. The movement from single-sourced to competitively sourced staffing contracts may also substantially reduce our future revenues from such customers. While Kelly has sought to address this trend, including providing Managed Service Provider ("MSP") services within our Outsourcing & Consulting ("OCG") segment, we may not be selected or retained as the MSP by our large customers. This may result in a material decrease in the revenue we derive from providing staffing services to such customers. In addition, revenues may be materially impacted from our decision to exit customers due to pricing pressure or other business factors.

Our business with the federal government and government contractors presents additional risk considerations. We must comply with laws and regulations relating to the formation, administration and performance of federal government contracts. Failure to meet these obligations could result in civil penalties, fines, suspension of payments, reputational damage, disqualification from doing business with government agencies and other sanctions or adverse consequences. Government procurement practices may change in ways that impose additional costs or risks upon us or pose a competitive disadvantage. Our employees may be unable to obtain or retain the security clearances necessary to conduct business under certain contracts, or we could lose or be unable to secure or retain a necessary facility clearance. Government agencies may temporarily or permanently lose funding for awarded contracts, or there could be delays in the start-up of projects already awarded and funded.

We are at risk of damage to our brand, which is important to our success.

Our success depends, in part, on the goodwill associated with our brand. Because we assign employees to work under the direction and supervision of our customer at work locations not under Kelly's control, we are at risk of our employees engaging in unauthorized conduct that could harm our reputation. Our Education segment is particularly susceptible to this exposure. Any incident, act or omission that damages Kelly's reputation could cause the loss of current and future customers, additional regulatory scrutiny and liability to third parties, which could negatively impact profitability.

As we increasingly offer services outside the realm of traditional staffing, including business process outsourcing and services intended to connect talent to independent work, we are exposed to additional risks which could have a material adverse effect on our business.

Our business strategy focuses on driving profitable growth in key specialty areas, including through business process outsourcing arrangements, where we provide operational management of our customers' non-core functions or departments. This could expose us to certain risks unique to that business, including product liability or product recalls. As the nature of work changes, we deliver services that connect talent to independent work with our customers and expose the Company to risks of misclassifying workers, which could result in regulatory audits and penalties. Although we have internal vetting processes intended to control such risks, there is no assurance that these processes will be effective or that we will be able to identify these potential risks in a timely manner. Our specialties also include professional engineering services where design, construction or systems failures and project delays can result in substantial injury or damages. We attempt to mitigate and transfer such risks through contractual arrangements with our customers; however, these services may give rise to liability claims and litigation. While we maintain insurance in types and amounts we believe are appropriate for the contemplated risks, there is no assurance that such insurance coverage will remain available on reasonable terms or be sufficient in amount or scope.

We are increasingly dependent on third parties for the execution of critical functions.

We rely on third parties to support critical functions within our operations, including portions of our technology infrastructure, vendor management, customer relationship management, and applicant tracking systems. If we are unable to contract with third parties having the specialized skills needed to support our growth strategies or integrate their products and services with our business, or if they fail to meet our performance requirements, the results of operations could be adversely impacted. We also rely on supplier partnerships to deliver our services to customers in certain territories. If our suppliers fail to meet our standards and expectations or are unfavorably regarded by our customers, our ability to discontinue the relationship may be limited and could result in reputational damage, customer loss, and adversely affect our results of operations. For example, in the Asia-Pacific region, we rely on third parties and partners to provide certain back office and administrative services to our operations

in that region. The failure or inability to perform on the part of one or more of these critical suppliers or partners could cause significant disruptions and increased costs.

Our information technology strategy may not yield its intended results.

Our information technology strategy includes improvements to our applicant onboarding and tracking systems, order management, and improvements to financial processes such as billing and accounts payable through system consolidation and upgrades. We do not use a single enterprise resource planning system, which limits our ability to react to evolving technology and customer expectations and increases the amount of investment and effort necessary to provide global service integration to our customers. Although the technology strategy is intended to increase productivity and operating efficiencies, these initiatives may not yield their intended results. Any delays in completing, or an inability to successfully complete, these technology initiatives or an inability to achieve the anticipated efficiencies could adversely affect our operations, liquidity and financial condition. Some of the initiatives are dependent on the products and services of third party vendors. If our vendors are unable to provide these services, or fail to meet our standards and expectations, we could experience business interruptions or data loss which could have a material adverse effect on our business, financial condition and results of operations.

Past and future acquisitions may not be successful.

As a part of our growth strategy, we continue to monitor the market for acquisition targets to bolster our inorganic growth aspirations. Acquisitions involve a number of risks, including the diversion of management's attention from its existing operations, the failure to retain key personnel or customers of an acquired business, the failure to realize anticipated benefits such as cost savings and revenue enhancements, potential substantial transaction costs associated with acquisitions, the assumption of unknown liabilities of the acquired business and the inability to successfully integrate the business into our operations. There can be no assurance that any past or future acquired businesses will generate anticipated revenues or earnings.

Further, acquisitions result in goodwill and intangible assets which have the risk of impairment if the future operating results and cash flows of such acquisitions are lower than our initial estimates. In the event that we determine that there is an impairment, we may be required to record a significant non-cash charge to earnings that could adversely affect our results of operations.

Investments in equity affiliates expose us to additional risks and uncertainties.

We participate, or may participate in the future, in certain investments in equity affiliates, such as joint ventures or other equity method investments with strategic partners, including PersolKelly Pte. Ltd. These arrangements expose us to a number of risks, including the risk that the management of the combined venture may not be able to fulfill their performance obligations under the management agreements or that the joint venture parties may be incapable of providing the required financial support. Additionally, improper, illegal or unethical actions by the venture management could have a negative impact on the reputation of the venture and our Company.

Risks Related to Operating a Global Enterprise

We conduct a significant portion of our operations outside of the United States and we are subject to risks relating to our international business activities, including fluctuations in currency exchange rates and numerous legal and regulatory requirements.

We conduct our business in major staffing markets throughout the world. Our operations outside the United States are subject to risks inherent in international business activities, including:

- fluctuations in currency exchange rates;
- restrictions or limitations on the transfer of funds;
- government intrusions including asset seizures, expropriations or de facto control;
- varying economic and political conditions;
- differences in cultures and business practices;
- differences in employment and tax laws and regulations;
- differences in accounting and reporting requirements;
- differences in labor and market conditions;
- compliance with trade sanctions;
- changing and, in some cases, complex or ambiguous laws and regulations; and

- litigation, investigations and claims.

Our operations outside the United States are reported in the applicable local currencies and then translated into U.S. dollars at the applicable currency exchange rates for inclusion in our consolidated financial statements. Exchange rates for currencies of these countries may fluctuate in relation to the U.S. dollar and these fluctuations may have an adverse or favorable effect on our operating results when translating foreign currencies into U.S. dollars.

Our investment in Persol Holdings exposes us to potential market and currency exchange risks.

We are exposed to market and currency risks on our investment in Persol Holdings. The investment is stated at fair value and is marked to market through net earnings. Changes in the market price are based on the Persol Holdings stock price as listed in the Tokyo stock exchange, and such changes may be material. Foreign currency fluctuations on this yen-denominated investment are reflected as a component of other comprehensive income and, accordingly, the exchange rate fluctuations may have a material adverse or favorable effect on our financial statements.

Our international operations subject us to potential liability under anti-corruption, trade protection, and other laws and regulations.

The Foreign Corrupt Practices Act and other anti-corruption laws and regulations (“Anti-Corruption Laws”) prohibit corrupt payments by our employees, vendors, or agents. While we devote substantial resources to our global compliance programs and have implemented policies, training, and internal controls designed to reduce the risk of corrupt payments, our employees, vendors, or agents may violate our policies. Our failure to comply with Anti-Corruption Laws could result in significant fines and penalties, criminal sanctions against us, our officers or our employees, prohibitions on the conduct of our business, and damage to our reputation. Operations outside the U.S. may be affected by changes in trade protection laws, policies and measures, and other regulatory requirements affecting trade and investment. As a result, we may be subject to legal liability and reputational damage.

Risks Related to Human Capital

We depend on our ability to attract, develop and retain qualified permanent full-time employees.

As we aim to expand the number of clients utilizing our higher margin specialty solutions in support of our growth strategy, we are highly reliant on individuals who possess specialized knowledge and skills to lead related specialty solutions and operations. Social, political and financial conditions can negatively impact the availability of qualified personnel. Competition for individuals with proven specialized knowledge and skills is intense, and demand for these individuals is expected to remain strong in the foreseeable future. Our success is dependent on our ability to attract, develop and retain these employees.

We depend on our ability to attract and retain qualified temporary personnel (employed directly by us or through third-party suppliers).

We depend on our ability to attract qualified temporary personnel who possess the skills and experience necessary to meet the staffing requirements of our customers. We must continually evaluate our base of available qualified personnel to keep pace with changing customer needs. Competition for individuals with proven professional skills is intense, and demand for these individuals is expected to remain strong for the foreseeable future. Social, political and financial conditions can negatively impact the amount of qualified personnel available to meet the staffing requirements of our customers. There can be no assurance that qualified personnel will continue to be available in sufficient numbers and on terms of employment acceptable to us and our customers. Our success is substantially dependent on our ability to recruit and retain qualified temporary personnel.

We may be exposed to employment-related claims and losses, including class action lawsuits and collective actions, which could have a material adverse effect on our business.

We employ and assign personnel in the workplaces of other businesses. The risks of these activities include possible claims relating to:

- discrimination and harassment;
- wrongful termination or retaliation;
- violations of employment rights related to employment screening or privacy issues;
- apportionment between us and our customer of legal obligations as an employer of temporary employees;
- classification of workers as employees or independent contractors;
- employment of unauthorized workers;
- violations of wage and hour requirements;
- retroactive entitlement to employee benefits, including health insurance;
- failure to comply with leave policy requirements; and
- errors and omissions by our temporary employees, particularly for the actions of professionals such as attorneys, accountants, teachers and scientists.

We are also subject to potential risks relating to misuse of customer proprietary information, misappropriation of funds, death or injury to our employees, damage to customer facilities due to negligence of temporary employees, criminal activity and other similar occurrences. We may incur fines and other losses or negative publicity with respect to these risks. In addition, these occurrences may give rise to litigation, which could be time-consuming and expensive. In the U.S. and certain other countries in which we operate, new employment and labor laws and regulations have been proposed or adopted that may increase the potential exposure of employers to employment-related claims and litigation. In addition, such laws and regulations are arising with increasing frequency at the state and local level in the U.S. and the resulting inconsistency in such laws and regulations results in additional complexity. There can be no assurance that the corporate policies and practices we have in place to help reduce our exposure to these risks will be effective or that we will not experience losses as a result of these risks. Although we maintain insurance in types and amounts we believe are appropriate in light of the aforementioned exposures, there can also be no assurance that such insurance policies will remain available on reasonable terms or be sufficient in amount or scope of coverage. Additionally, should we have a material inability to produce records as a consequence of litigation or a government investigation, the cost or consequences of such matters could become much greater.

Risks Related to Cyber Security and Data Privacy

Damage to our key data centers could affect our ability to sustain critical business applications.

Many business processes critical to our continued operation are hosted in outsourced facilities in America and Europe. Certain other processes are hosted at our corporate headquarters complex or occur in cloud-based computer environments. These critical processes include, but are not limited to, payroll, customer reporting, and order management. Although we have taken steps to protect all such instances by establishing robust data backup and disaster recovery capabilities, the loss of these data centers or access to the cloud-based environments could create a substantial risk of business interruption which could have a material adverse effect on our business, financial condition and results of operations.

A failure to maintain the privacy of information entrusted to us could have significant adverse consequences.

In the normal course of business we control, process, or have access to personal information regarding our own employees or employment candidates, as well as that of many of our customers or managed suppliers. Information concerning these individuals may also reside in systems controlled by third parties for purposes such as employee benefits and payroll administration. The legal and regulatory environment concerning data privacy is becoming more complex and challenging, and the potential consequences of non-compliance have become more severe. The European Union's General Data Protection Regulation, the California Consumer Privacy Act and similar laws impose additional compliance requirements related to the collection, use, processing, transfer, disclosure, and retention of personal information, which can increase operating costs and resources to accomplish. Any failure to abide by these regulations or to protect such personal information from inappropriate access or disclosure, whether through social engineering or by accident or other cause, could have severe consequences including fines, litigation, regulatory sanctions, reputational damage, and loss of customers or employees. Although we have a program designed to preserve the privacy rights of the personal data that we control or process, as well as personal data that we entrust to third parties, there can be no assurance that our program will meet all current and future regulatory requirements, anticipate all potential methods of unauthorized access, or prevent all inappropriate disclosures. Our insurance coverage may

not be sufficient to cover all such costs or consequences, and there can be no assurance that any insurance that we now maintain will remain available under acceptable terms.

Cyberattacks or other breaches of network or information technology security could have an adverse effect on our systems, services, reputation and financial results.

We rely upon multiple information technology systems and networks, some of which are web-based or managed by third parties, to process, transmit, and store electronic information and to manage or support a variety of critical business processes and activities. Our networks and applications are increasingly accessed from locations and by devices not within our physical control, and the specifics of our technology systems and networks may vary by geographic region. In the course of ordinary business, we may store or process proprietary or confidential information concerning our business and financial performance and current, past or prospective employees, customers, vendors and managed suppliers. The secure and consistent operation of these systems, networks and processes is critical to our business operations. Moreover, our temporary employees may be exposed to, or have access to, similar information in the course of their customer assignments. We routinely experience cyberattacks, which may include the use or attempted use of malware, ransomware, computer viruses, phishing, social engineering schemes and other means of attempted disruption or unauthorized access. Additionally, the rapid pace of change in information security and cyber security threats could result in a heightened threat level for us or companies in our industry with little notice. Our relationships with third parties, including suppliers we manage, customers, and vendors creates potential avenues for malicious actors to initiate a supply chain attack. Even in instances where we are not a target of a malicious actor, we could be exposed to risk due to our relationships and business processes with these third parties.

The actions we take to reduce the risk of impairments to our operations or systems and breaches of confidential or proprietary data may not be sufficient to prevent or repel future cyber events or other impairments of our networks or information technologies. An event involving the destruction, modification, accidental or unauthorized release, or theft of sensitive information from systems related to our business, or an attack that results in damage to or unavailability of our key technology systems or those of critical vendors (e.g., ransomware), could result in damage to our reputation, fines, regulatory sanctions or interventions, contractual or financial liabilities, additional compliance and remediation costs, loss of employees or customers, loss of payment card network privileges, operational disruptions and other forms of costs, losses or reimbursements, any of which could materially adversely affect our operations or financial condition. Our cyber security and business continuity plans, and those of our third parties with whom we do business, may not be effective in anticipating, preventing and effectively responding to all potential cyber risk exposures. Our insurance coverage may not be sufficient to cover all such costs or consequences, and there can be no assurance that any insurance that we now maintain will remain available under acceptable terms.

Risks Related to Our Capital Structure

Our controlling stockholder exercises voting control over our company and has the ability to elect or remove from office all of our directors.

The Terence E. Adderley Revocable Trust K (“Trust K”) which became irrevocable upon the death of Terence E. Adderley on October 9, 2018, is our controlling stockholder. In accordance with the provisions of Trust K, William U. Parfet, David M. Hempstead and Andrew H. Curoe were appointed as successor trustees of the trust. Mr. Parfet is the brother of Donald R. Parfet, the Chairman of the board of directors of the Company. The trustees, acting by majority vote, have sole investment and voting power over the shares of Class B common stock held by Trust K, which represent approximately 91.6% of the outstanding Class B shares. The voting rights of our Class B common stock are perpetual, and our Class B common stock is not subject to transfer restrictions or mandatory conversion obligations under our certificate of incorporation or bylaws.

Our Class B common stock is the only class of our common stock entitled to voting rights. The trustees of Trust K are therefore able to exercise voting control with respect to all matters requiring stockholder approval, including the election or removal from office of all members of the Company’s board of directors.

We are not subject to certain of the listing standards that normally apply to companies whose shares are quoted on the NASDAQ Global Market.

Our Class A and Class B common stock are quoted on the NASDAQ Global Market. Under the listing standards of the NASDAQ Global Market, we are deemed to be a “controlled company” due to Trust K having voting power with respect to more than fifty percent of our outstanding voting stock. A controlled company is not required to have a majority of its board of directors comprised of independent directors. Director nominees are not required to be selected or recommended for the board’s selection by a majority of independent directors or a nominations committee comprised solely of independent directors,

nor do the NASDAQ Global Market listing standards require a controlled company to certify the adoption of a formal written charter or board resolution, as applicable, addressing the nominations process. A controlled company is also exempt from NASDAQ Global Market's requirements regarding the determination of officer compensation by a majority of independent directors or a compensation committee comprised solely of independent directors. A controlled company is required to have an audit committee composed of at least three directors who are independent as defined under the rules of both the SEC and the NASDAQ Global Market. The NASDAQ Global Market further requires that all members of the audit committee have the ability to read and understand fundamental financial statements and that at least one member of the audit committee possess financial sophistication. The independent directors must also meet at least twice a year in meetings at which only they are present.

We currently comply with the listing standards of the NASDAQ Global Market that do not apply to controlled companies. Our compliance is voluntary, however, and there can be no assurance that we will continue to comply with these standards in the future.

Provisions in our certificate of incorporation and bylaws and Delaware law may delay or prevent an acquisition of our Company.

Our restated certificate of incorporation and bylaws contain provisions that could make it harder for a third party to acquire us without the consent of our board of directors. For example, if a potential acquirer were to make a hostile bid for us, the acquirer would not be able to call a special meeting of stockholders to remove our board of directors or act by written consent without a meeting. The acquirer would also be required to provide advance notice of its proposal to replace directors at any annual meeting and would not be able to cumulate votes at a meeting, which would require the acquirer to hold more shares to gain representation on the board of directors than if cumulative voting were permitted.

Our board of directors also has the ability to issue additional shares of common stock which could significantly dilute the ownership of a hostile acquirer. In addition, Section 203 of the Delaware General Corporation Law limits mergers and other business combination transactions involving 15 percent or greater stockholders of Delaware corporations unless certain board or stockholder approval requirements are satisfied. These provisions and other similar provisions make it more difficult for a third party to acquire us without negotiation.

Our board of directors could choose not to negotiate with an acquirer that it did not believe was in our strategic interests. If an acquirer is discouraged from offering to acquire us or prevented from successfully completing a hostile acquisition by these or other measures, our shareholders could lose the opportunity to sell their shares at a favorable price.

The holders of shares of our Class A common stock are not entitled to voting rights.

Under our certificate of incorporation, the holders of shares of our Class A common stock are not entitled to voting rights, except as otherwise required by Delaware law. As a result, Class A common stockholders do not have the right to vote for the election of directors or in connection with most other matters submitted for the vote of our stockholders, including mergers and certain other business combination transactions involving the Company.

We may not be able to realize value from, or otherwise preserve and utilize, our tax credit and net operating loss carryforwards.

Provisions in U.S. and foreign tax law could limit the use of tax credit and net operating loss carryforwards in the event of an ownership change. In general, an ownership change occurs under U.S. tax law if there is a change in the corporation's equity ownership that exceeds 50% over a rolling three-year period. If we experience an ownership change, inclusive of our Class A and Class B common stock, our tax credit and net operating loss carryforwards generated prior to the ownership change may be subject to annual limitations that could reduce, eliminate or defer their utilization. Such limitation could materially impact our financial condition and results of operations.

Failure to maintain specified financial covenants in our bank credit facilities, or credit market events beyond our control, could adversely restrict our financial and operating flexibility and subject us to other risks, including risk of loss of access to capital markets.

Our bank credit facilities contain covenants that require us to maintain specified financial ratios and satisfy other financial conditions. During 2021, we met all of the covenant requirements. Our ability to continue to meet these financial covenants, particularly with respect to interest coverage (see Debt footnote in the notes to our consolidated financial statements), cannot be assured. If we default under this or any other of these requirements, the lenders could declare all outstanding borrowings,

accrued interest and fees to be due and payable or significantly increase the cost of the facility. Additionally, our credit facilities contain cross-default provisions. In these circumstances, there can be no assurance that we would have sufficient liquidity to repay or refinance this indebtedness at favorable rates or at all. Events beyond our control could result in the failure of one or more of our banks, reducing our access to liquidity and potentially resulting in reduced financial and operating flexibility. If broader credit markets were to experience dislocation, our potential access to other funding sources would be limited.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

None.

ITEM 2. PROPERTIES.

Our headquarters is located in Troy, Michigan where we both own and lease facilities and where our corporate, subsidiary and divisional employees work. Our remaining business operations in the U.S., as well as our international locations, are conducted in leased facilities. Since 2020, as the result of COVID-19, the majority of our internal employees have also conducted business remotely as the result of governmental orders or our internal policies designed to protect the health and safety of our employees.

ITEM 3. LEGAL PROCEEDINGS.

The Company is continuously engaged in litigation, threatened litigation, claims, audits or investigations arising in the ordinary course of its business, such as matters alleging employment discrimination, wage and hour violations, claims for indemnification or liability, violations of privacy rights, anti-competition regulations, commercial and contractual disputes, and tax related matters which could result in a material adverse outcome. We record accruals for loss contingencies when we believe it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. Such accruals are recorded in accounts payable and accrued liabilities and in accrued workers' compensation and other claims in the consolidated balance sheet. The Company maintains insurance coverage which may cover certain claims. When claims exceed the applicable policy deductible and realization of recovery of the claim from existing insurance policies is deemed probable, the Company records receivables from the insurance company for the excess amount, which are included in prepaid expenses and other current assets in the consolidated balance sheet.

While the outcome of these matters currently pending cannot be predicted with certainty, we believe that the resolution of any such proceedings will not have a material adverse effect on our financial condition, results of operations or cash flows.

In January 2018, the Hungarian Competition Authority initiated proceedings against a local industry trade association and its members, due to alleged infringement of national competition regulations. The Authority announced its decision on December 18, 2020, levying a fine against the trade association with joint and several secondary liabilities placed on the 20 member companies. Our apportioned secondary liability as a member company is approximately \$300,000. The matter is still pending. Certain member companies exercised their right to challenge the decision, which could impact the apportionment. The Company does not believe that resolution of this matter will have a material adverse effect upon the Company's competitive position, results of operations, cash flows or financial position.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

PART II

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

Market Information and Dividends

Our Class A and Class B common stock is traded on the NASDAQ Global Market under the symbols “KELYA” and “KELYB,” respectively. The high and low selling prices for our Class A common stock and Class B common stock as quoted by the NASDAQ Global Market and the dividends paid on the common stock for each quarterly period in the last two fiscal years are reported in the table below. Our ability to pay dividends is subject to compliance with certain financial covenants contained in our debt facilities, as described in the Debt footnote in the notes to our consolidated financial statements.

	Per share amounts (in dollars)				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
2021					
Class A common					
High	\$ 23.90	\$ 26.98	\$ 25.00	\$ 20.87	\$ 26.98
Low	19.13	22.51	18.58	15.88	15.88
Class B common					
High	57.46	60.00	24.70	21.27	60.00
Low	18.00	22.15	17.95	16.63	16.63
Dividends	—	—	0.05	0.05	0.10
2020					
Class A common					
High	\$ 22.77	\$ 18.18	\$ 19.89	\$ 23.00	\$ 23.00
Low	10.13	11.01	13.55	15.56	10.13
Class B common					
High	21.78	18.14	90.36	22.70	90.36
Low	10.52	10.35	14.04	15.50	10.35
Dividends	0.075	—	—	—	0.075

Holders

The number of holders of record of our Class A and Class B common stock were approximately 8,800 and 600, respectively, as of January 29, 2022.

Recent Sales of Unregistered Securities

None.

Issuer Purchases of Equity Securities

During the fourth quarter of 2021, we reacquired shares of our Class A common stock as follows:

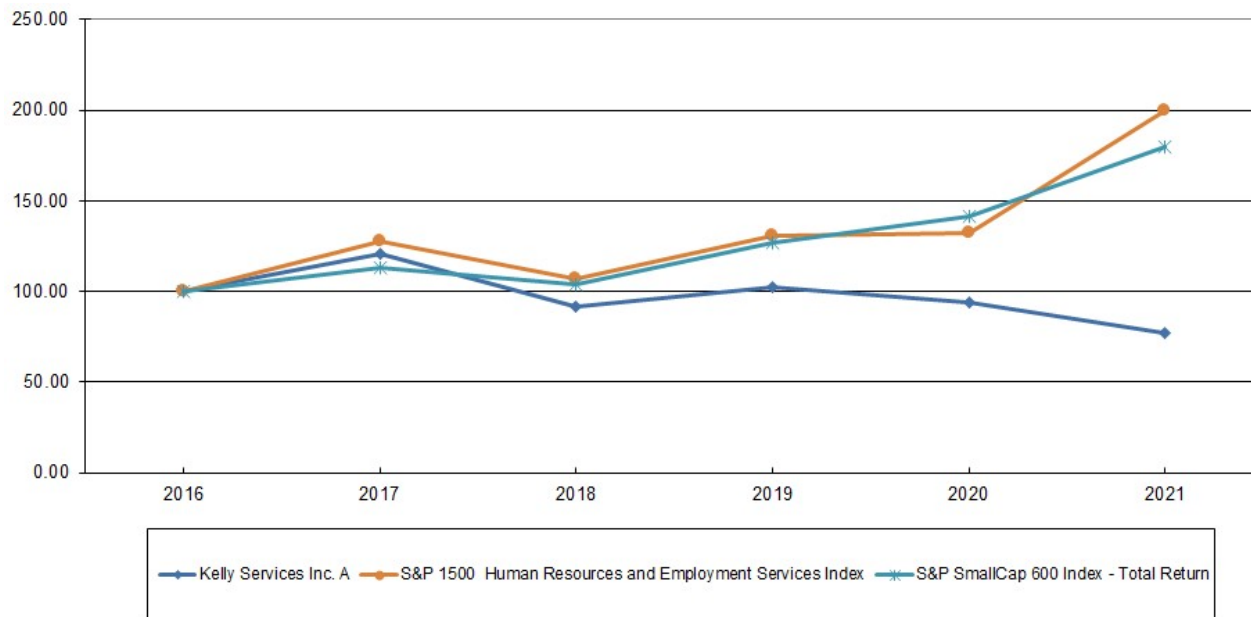
Period	Total Number of Shares (or Units) Purchased	Average Price Paid per Share (or Unit)	Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares (or Units) That May Yet Be Purchased Under the Plans or Programs
				(in millions of dollars)
October 4, 2021 through November 7, 2021	62	\$ 19.68	—	\$ —
November 8, 2021 through December 5, 2021	210	18.29	—	—
December 6, 2021 through January 2, 2022	1,589	17.50	—	—
Total	1,861	\$ 17.66	—	

We may reacquire shares sold to cover employee tax withholdings due upon the vesting of restricted stock held by employees. Accordingly, 1,861 shares were reacquired during the Company's fourth quarter.

Performance Graph

The following graph compares the cumulative total return of our Class A common stock with that of the S&P SmallCap 600 Index and the S&P 1500 Human Resources and Employment Services Index for the five years ended December 31, 2021. The graph assumes an investment of \$100 on December 31, 2016 and that all dividends were reinvested.

COMPARISON OF FIVE YEAR CUMULATIVE TOTAL RETURN
Assumes Initial Investment of \$100
December 31, 2016 – December 31, 2021



	2016	2017	2018	2019	2020	2021
Kelly Services, Inc.	\$ 100.00	\$ 120.58	\$ 91.65	\$ 102.30	\$ 93.56	\$ 76.67
S&P SmallCap 600 Index	\$ 100.00	\$ 113.23	\$ 103.63	\$ 127.24	\$ 141.60	\$ 179.58
S&P 1500 Human Resources and Employment Services Index	\$ 100.00	\$ 127.28	\$ 106.57	\$ 130.86	\$ 131.97	\$ 199.47

ITEM 6. [Reserved]

ITEM 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Executive Overview

Kelly’s strategy and actions are guided by our simple yet powerful Noble Purpose: “We connect people to work in ways that enrich their lives.” We are committed to being a leading talent solutions provider among the talent with whom we choose to specialize and in the global markets in which we choose to compete. As we navigate the post-pandemic landscape, we will continue to demonstrate our expected behaviors and actions:

- Employ a talent-first mentality
- Relentlessly deliver for customers
- Grow through discipline and focus
- Deliver efficiency and effectiveness in everything we do

By aligning ourselves with our Noble Purpose and executing against these behaviors, we are becoming a more agile and focused organization, prepared to achieve new levels of growth and profitability as we develop and reshape our portfolio of businesses.

The Talent Solutions Industry

Even before the COVID-19 pandemic, labor markets were in the midst of change due to automation, secular shifts in labor supply and demand and skills gaps. Global demographic trends are reshaping and redefining the way in which companies find and use talent, and the COVID-19 pandemic changed where and how companies expect work to be performed—a shift we expect will carry over into the future. In response, the talent solutions industry is adjusting how it sources, recruits, trains and places talent.

Our industry is evolving to meet businesses’ growing demand for specialized talent, whether delivered as a single individual or as part of a total workforce solution. Companies in our industry are using novel sourcing approaches—including gig platforms, independent contractors and other talent pools—to create customized workforce solutions that are flexible and responsive to the labor market.

In addition, today’s companies are elevating their commitment to talent, with the growing realization that meeting the changing needs and requirements of talent is essential to remain competitive. The ways in which people view, find and conduct work are undergoing fundamental shifts. And as the demand for skilled talent continues to climb, workers’ changing ideas about the integration of work into life are becoming more important. 2021 saw record-breaking employee resignations in the U.S. as workers opted out of jobs that did not align with their needs. In this increasingly talent-driven market, a diverse set of workers, empowered by technology, is seeking to take even greater control over their career trajectories. Kelly is proud to be a career partner of choice for workers in search of a better way to work.

Our Business

Kelly is a talent and global workforce solutions company serving customers of all sizes in a variety of industries. We offer innovative outsourcing and consulting services, as well as staffing on a temporary and direct-hire basis. In 2020, we adopted a new operating model and realigned our business into five specialty business units, which are also our reportable segments.

- Professional & Industrial – delivers staffing, outcome-based and direct-hire services focused on office, professional, light industrial and contact center specialties in the U.S. and Canada, including our KellyConnect and Skilled Professional Solutions products
- Science, Engineering & Technology – delivers staffing, outcome-based and direct-hire services focused on science and clinical research, engineering, technology and telecommunications specialties predominantly in the U.S. and Canada and includes our NextGen and Global Technology Associates subsidiaries, as well as Softworld, a technology staffing and workforce solutions company acquired in 2021

- Education – delivers staffing, direct-hire and executive search services across the full education spectrum from early childhood to higher education in the U.S., and includes Teachers On Call, Insight Workforce Solutions and Greenwood/Asher & Associates
- Outsourcing & Consulting – delivers Master Service Provider ("MSP"), Recruitment Process Outsourcing ("RPO"), Business Process Outsourcing ("BPO") and Talent Advisory Services to customers on a global basis
- International – delivers staffing, RPO and direct-hire services in 15 countries in Europe, as well as services in Mexico delivered in accordance with recent changes in labor market regulations

In addition, PersolKelly Pte. Ltd., our joint venture with Persol Asia Pacific Pte. Ltd, a wholly owned subsidiary of Persol Holdings, a leading provider of HR solutions in Japan, provides staffing and direct hire services to customers in the Asia-Pacific region.

We earn revenues from customers that procure the services of our temporary employees on a time and materials basis, that use us to recruit permanent employees, and that rely on our talent advisory and outsourcing services. Our working capital requirements are primarily generated from temporary employee payroll and customer accounts receivable. The nature of our business is such that trade accounts receivable are our most significant asset. Average days sales outstanding varies within and outside the U.S. and was 60 days on a global basis as of the end of 2021 and 64 days as of the end of 2020. Since receipts from customers generally lag temporary employee payroll, working capital requirements increase substantially in periods of growth and decline in periods of economic contraction.

Our Perspective and Outlook on Growth

Our 2020 results reflected the substantial decline in demand for our services during the depth of the COVID-19 crisis and the decisive actions we took to reduce costs and protect our balance sheet. We were successful in positioning Kelly to take advantage of improving economic conditions and the beginning of a recovery in customer demand as we entered 2021. While 2021 had its share of headwinds, most notably the emergence of the Delta and Omicron variants, continued global supply chain shortages, and a talent supply shortage, Kelly persevered and ended the year better than we began it. We made our largest-ever acquisition in April 2021 with the purchase of Softworld, a leader in the fast-growing technology staffing and solutions space. We made structural improvements in our businesses, driving growth in our GP rate; and we reinstated a dividend, which had been temporarily suspended during the worst of the pandemic. Within our specialty solutions, customer demand for our services increased throughout 2021, reaching or exceeding pre-pandemic levels at various rates across specialties. Our P&I and Education segments, the hardest-hit by COVID-19 and its variants, put the worst of the pandemic behind them by year's end. Our SET business drove double-digit growth in outcome-based business and Softworld. Our International segment continued its recovery, led by growth in key European countries. And OCG, the most resilient of our business segments, continued to deliver double-digit growth throughout 2021.

We enter 2022 having shifted from recovery to growth. Our permanent placement fee growth points toward our customers' investments in their future workforce, and increased demand in our staffing and outcome-based businesses reflects strong market demand for the specialty solutions we provide. Our business is arranged around specialties that target these areas of strong demand, promising growth opportunities, and Kelly's proven ability to win. Our segments also reflect our intent to shift our portfolio toward high-margin, higher-value specialties that deliver a competitive edge and increased shareholder value.

As we continue our strategic growth journey in the year ahead, we will also invest in key value drivers.

- We are mapping our digital transformation journey, building a technology foundation to optimize our business, personalize the talent journey and improve the client experience. For example, in 2021 we launched Helix UX, an industry-leading talent management tool that is enabling our customers to better manage their global workforce across temporary, full-time and cloud-based talent pools.
- We are consistently striving to better understand and support our talent and their shifting needs. We have reallocated resources to be solely focused on the temporary worker experience, and our Equity@Work initiative is designed to break down long-standing, systemic barriers that make it difficult for many people to participate in the labor market.
- We are investing in the talent experience of our full-time employees, taking action to ensure we have the people coaches and performance management systems that will help our employees thrive in their Kelly careers. We know that our success is powered by our people, and we are aiming for industry-leading results.

As we execute our specialty growth strategy, we are focused on both the speed and scope of change. To that end, on February 14, 2022 we announced transactions that will allow us to strategically re-deploy resources to accelerate our growth in high-margin, high-growth specialties. Specifically, we are unwinding our cross-ownership with Persol Holdings and reducing our ownership interest in our APAC joint venture, PersolKelly. Monetizing our investments in Persol Holdings and PersolKelly provides us with additional capital, when combined with our available borrowing capacity, that results in approximately \$500 million of capital available to invest in our specialty growth strategy and positions us to continue to grow both organically and inorganically in 2022 and beyond.

Financial Measures

The constant currency (“CC”) change amounts in the following tables refer to the year-over-year percentage changes resulting from translating 2021 financial data into U.S. dollars using the same foreign currency exchange rates used to translate financial data for 2020. We believe that CC measurements are a useful measure, indicating the actual trends of our operations without distortion due to currency fluctuations. We use CC results when analyzing the performance of our segments and measuring our results against those of our competitors. Additionally, substantially all of our foreign subsidiaries derive revenues and incur cost of services and selling, general and administrative (“SG&A”) expenses within a single country and currency which, as a result, provides a natural hedge against currency risks in connection with their normal business operations.

CC measures are non-GAAP (Generally Accepted Accounting Principles) measures and are used to supplement measures in accordance with GAAP. Our non-GAAP measures may be calculated differently from those provided by other companies, limiting their usefulness for comparison purposes. Non-GAAP measures should not be considered a substitute for, or superior to, measures of financial performance prepared in accordance with GAAP.

Reported and CC percentage changes were computed based on actual amounts in thousands of dollars.

Return on sales (earnings from operations divided by revenue from services) and conversion rate (earnings from operations divided by gross profit) are ratios used to measure the Company’s operating efficiency.

EBITDA (earnings before interest, taxes, depreciation and amortization) and EBITDA margin (EBITDA divided by revenue from services) are measures used for understanding the Company’s ability to generate cash flow and for judging overall operating performance.

NM (not meaningful) in the following tables is used in place of percentage changes where: the change is in excess of 500%, the change involves a comparison between earnings and loss amounts, or the comparison amount is zero.

Days sales outstanding (“DSO”) represents the number of days that sales remain unpaid for the period being reported. DSO is calculated by dividing average net sales per day (based on a rolling three-month period) into trade accounts receivable, net of allowances at the period end. Although secondary supplier revenues are recorded on a net basis (net of secondary supplier expense), secondary supplier revenue is included in the daily sales calculation in order to properly reflect the gross revenue amounts billed to the customer.

Results of Operations

Total Company (Dollars in millions)

	2021 vs. 2020			2020 vs. 2019		
	2021 (52 Weeks)	2020 (53 Weeks)	Change	2020 (53 Weeks)	2019 (52 Weeks)	Change
Revenue from services	\$4,909.7	\$4,516.0	8.7 %	\$4,516.0	\$5,355.6	(15.7) %
Gross profit	919.2	827.6	11.1	827.6	968.4	(14.5)
SG&A expenses excluding restructuring charges	866.6	792.8	9.3	792.8	877.6	(9.7)
Restructuring charges	4.0	12.8	(69.0)	12.8	5.5	131.5
Total SG&A expenses	870.6	805.6	8.1	805.6	883.1	(8.8)
Goodwill impairment charge	—	147.7	NM	147.7	—	NM
Gain on sale of assets	—	32.1	NM	32.1	12.3	161.6
Asset impairment charge	—	—	NM	—	15.8	NM
Earnings (loss) from operations	48.6	(93.6)	NM	(93.6)	81.8	NM
Gain (loss) on investment in Persol Holdings	121.8	(16.6)	NM	(16.6)	35.8	NM
Gain on insurance settlement	19.0	—	NM	—	—	NM
Other income (expense), net	(3.6)	3.4	(206.5)	3.4	(1.2)	369.5
Earnings (loss) before taxes and equity in net earnings (loss) of affiliate	185.8	(106.8)	NM	(106.8)	116.4	NM
Income tax expense (benefit)	35.1	(34.0)	203.4	(34.0)	0.4	NM
Equity in net earnings (loss) of affiliate	5.4	0.8	NM	0.8	(3.6)	NM
Net earnings (loss)	<u>\$ 156.1</u>	<u>\$ (72.0)</u>	NM %	<u>\$ (72.0)</u>	<u>\$ 112.4</u>	NM %
Gross profit rate	18.7 %	18.3 %	0.4 pts.	18.3 %	18.1 %	0.2 pts.
Conversion rate	5.3	(11.3)	16.6	(11.3)	8.4	(19.7)

2021 vs. 2020

Revenue from services for 2021 increased 8.7% on a reported basis and 7.8% on a constant currency basis as demand for our services increased from COVID-crisis driven levels in 2020. Revenue increased in all operating segments, with the exception of Professional & Industrial. Our acquisition of Softworld, a technology staffing and solutions firm, in early April 2021 added approximately 220 basis points to the revenue growth rate. The 2020 fiscal year included a 53rd week. This fiscal leap year occurs every five or six years and is necessary to align the fiscal and calendar periods. The 53rd week added approximately 1% to 2020 reported revenue. Compared to 2020, revenue from staffing services increased 6.6%, revenue from outcome-based services increased 7.3%, and permanent placement income increased 89.7%.

Gross profit increased 11.1% on higher revenue volume and an improving gross profit rate. The gross profit rate increased 40 basis points in comparison to 2020, primarily due to the impact of higher permanent placement income and the acquisition of Softworld, which generates higher gross profit rates, partially offset by unfavorable product mix and higher employee-related costs. Gross profit rate improved approximately 30 basis points as a result of the acquisition of Softworld. The gross profit rate for 2020 includes approximately 20 basis points from COVID-related government wage subsidies. Increases in the gross profit rate for Science, Engineering & Technology, Education and International were partially offset by decreases in the gross profit rate for Professional & Industrial and Outsourcing & Consulting.

Total SG&A expenses increased 8.1% compared to 2020. SG&A expenses related to Softworld, including amortization of intangibles and other operating expenses, accounted for approximately 350 basis points to the year-over-year increase. The increase in SG&A expenses also reflects increases in performance-based incentive compensation expenses and the impact of

temporary expense mitigation efforts in 2020. With the exception of Professional & Industrial, SG&A expenses increased in all segments in comparison to 2020.

Included in SG&A expenses for 2021 was \$4.0 million of restructuring charges, primarily reflecting cost management actions taken in the fourth quarter of 2021 to increase operational efficiencies within enterprise functions that provide centralized support to operating units. Included in SG&A expenses for 2020 was \$12.8 million of restructuring charges and a \$9.5 million charge related to a customer dispute.

During 2020, the negative reaction to the pandemic by the global equity markets also resulted in a decline in the Company's common stock price. This triggered an interim goodwill impairment test, resulting in a \$147.7 million goodwill impairment charge in the first quarter of 2020.

Gain on sale of assets of \$32.1 million in 2020 represents the excess of the proceeds over the cost of the headquarters properties sold in the first quarter of 2020. The main headquarters building was subsequently leased back by the Company during the first quarter of 2020.

Earnings from operations for 2021 totaled \$48.6 million, compared to a loss from operations of \$93.6 million in 2020. The increase in earnings from operations from 2020 primarily reflects the impact of the goodwill impairment charge, the customer dispute charge and higher restructuring charges in 2020, partially offset by the 2020 gain on sale of assets.

Gain (loss) on investment in Persol Holdings represents the noncash gain or loss resulting from changes in the market price of our investment in the common stock of Persol Holdings. The gains or losses fluctuate each quarter based on the quoted market price of the Persol Holdings common stock at period end.

The gain on insurance settlement of \$19.0 million in 2021 represents a payment received in the fourth quarter of 2021 related to the settlement of claims under a representations and warranties insurance policy purchased by the Company in connection with the acquisition of Softworld.

Other expense for 2021 totaled \$3.6 million, compared to other income of \$3.4 million for 2020. Included in the 2021 amount is a one-time, non-cash write-down of an equity investment and transaction-related expenses from the April 2021 acquisition of Softworld.

Income tax expense was \$35.1 million for 2021 and income tax benefit was \$34.0 million for 2020. The 2021 income tax expense was impacted by higher pretax earnings and changes in the fair value of the Company's investment in Persol Holdings. Income taxes for 2021 also includes a charge for gain on insurance settlement and a benefit from a United Kingdom tax rate change. Income taxes for 2020 includes a tax benefit from the impairment of goodwill and a U.S. tax benefit from the sale of Brazil operations.

Our tax expense is affected by recurring items, such as the amount of pretax income and its mix by jurisdiction, U.S. work opportunity credits and the change in cash surrender value of tax exempt investments in life insurance policies. It is also affected by discrete items that may occur in any given period but are not consistent from period to period, such as tax law changes, changes in judgment regarding the realizability of deferred tax assets, the tax effects of stock compensation, and changes in the fair value of the Company's investment in Persol Holdings, which are treated as discrete since they cannot be estimated. The United Kingdom rate change benefit in the second quarter of 2021, the first quarter of 2020 impairment of goodwill and the second quarter of 2020 Brazil outside basis differences were treated as discrete.

The net earnings for 2021 were \$156.1 million, compared to a net loss of \$72.0 million for 2020. This change was due primarily to higher earnings from operations and increased gains of Persol Holdings common stock, net of tax.

2020 vs. 2019

Revenue from services for 2020 declined in all segments, reflecting the impact of COVID-19, and resulting in a decline in demand for both our staffing and permanent placement services across a broad range of industries and geographies. Revenue from staffing services declined 20% compared to 2019. Permanent placement revenue, which is included in revenue from services, decreased 34% year-over-year as the impact of economic uncertainty depressed full-time hiring in all operating segments. These declines were partially offset by a 9% increase in outcome-based services as demand from customers utilizing these services increased during the year. The 2020 fiscal year included a 53rd week. This fiscal leap year occurs every five or six years and is necessary to align the fiscal and calendar periods. The 53rd week added approximately 1% to 2020 reported and CC revenue.

Gross profit declined as a result of lower revenue volume, partially offset by an increase in the gross profit rate. The gross profit rate increased 20 basis points in comparison to 2019. With the exception of Education and International, the gross profit rate increased in all other operating segments, primarily reflecting improved product mix and lower employee-related costs. The gross profit rate for Education declined primarily as a result of increased pricing pressures. International's gross profit rate was negatively impacted by the decrease in permanent placement revenue. The total Company 2020 gross profit rate included approximately 20 basis points related to COVID-19 government subsidies.

Total SG&A expenses decreased 8.8% in comparison to 2019. This decrease was due primarily to lower administrative salaries and performance-based compensation, including short-term cost reductions implemented to further align costs with revenue volume trends. Included in total SG&A expenses are restructuring charges of \$12.8 million in 2020. Actions were taken in the first quarter of 2020 to position the Company to adopt the new operating model and to align the U.S. branch network facilities footprint with a more technology-enabled service delivery methodology. Actions were taken in the fourth quarter of 2020 to align costs with expected revenue levels. Restructuring charges of \$5.5 million in 2019 represent severance costs primarily related to position eliminations within Professional & Industrial staffing operations.

During 2020, the negative reaction to the pandemic by the global equity markets also resulted in a decline in the Company's common stock price. This triggered an interim goodwill impairment test, resulting in a \$147.7 million goodwill impairment charge in the first quarter of 2020.

Gain on sale of assets of \$32.1 million represented the excess of the proceeds over the cost of the headquarters properties sold in the first quarter of 2020. The main headquarters building was subsequently leased back to the Company during the first quarter of 2020. Gain on sale of assets in 2019 of \$12.3 million primarily represented the excess of the proceeds over the cost upon the sale of an unused parcel of land located near the Company headquarters. Asset impairment charge of \$15.8 million in 2019 represented the write-off of previously capitalized costs associated with a new U.S. front and middle office technology development project which management determined would not be completed but replaced by an enhanced and expanded use of an existing technology platform.

The loss from operations for 2020 of \$93.6 million reflected a decline from the \$81.8 million of earnings from operations in 2019. Earnings from operations declined as a result of the goodwill impairment charge and lower gross profit as a result of the impact of COVID-19 on demand, partially offset by lower expenses due to cost reduction efforts and higher gain on sale of assets.

Gain (loss) on investment in Persol Holdings represented the noncash gain or loss resulting from changes in the market price of our investment in the common stock of Persol Holdings. The gains or losses fluctuate based on the quoted market price of the Persol Holdings common stock at period end.

Income tax benefit was \$34.0 million and expense was \$0.4 million for 2020 and 2019, respectively. The 2020 income tax benefited from lower pretax earnings and included the impairment of goodwill, a decline in the fair value of the Company's investment in Persol Holdings, and a tax loss on the sale of our Brazil operations. These benefits were offset by lower work opportunity credits. The 2019 tax expense benefited from releasing a valuation allowance in the United Kingdom. The work opportunity credit has been extended through 2025 as part of the Consolidated Appropriations Act, 2021.

Our tax expense is affected by recurring items, such as the amount of pretax income and its mix by jurisdiction, U.S. work opportunity credits and the change in cash surrender value of tax exempt investments in life insurance policies. It is also affected by discrete items that may occur in any given period but are not consistent from period to period, such as tax law changes, changes in judgment regarding the realizability of deferred tax assets, the tax effects of stock compensation, and changes in the fair value of the Company's investment in Persol Holdings, which are treated as discrete since they cannot be estimated. The impairment of goodwill in the first quarter of 2020 and the recording of deferred taxes on the Brazil outside basis differences in the second quarter of 2020 were treated as discrete items.

The net loss for 2020 of \$72.0 million, a decrease from net earnings of \$112.4 million in 2019, was due primarily to lower earnings from operations due to the goodwill impairment charge taken in the first quarter of 2020, combined with losses of Persol Holdings common stock, partially offset by the impact of an income tax benefit in comparison to income tax expense in 2019.

Operating Results By Segment
(Dollars in millions)

	2021 vs. 2020			2020 vs. 2019		
	2021 (52 Weeks)	2020 (53 Weeks)	% Change	2020 (53 Weeks)	2019 (52 Weeks)	% Change
Revenue From Services:						
Professional & Industrial	\$ 1,837.4	\$ 1,858.4	(1.1) %	\$ 1,858.4	\$ 2,213.4	(16.0) %
Science, Engineering & Technology	1,156.8	1,019.1	13.5	1,019.1	1,131.8	(9.9)
Education	416.5	286.9	45.2	286.9	450.7	(36.3)
Outsourcing & Consulting	432.1	363.5	18.9	363.5	377.7	(3.8)
International	1,067.8	988.6	8.0	988.6	1,182.5	(16.4)
Less: Intersegment revenue	(0.9)	(0.5)	97.0	(0.5)	(0.5)	(16.6)
Consolidated Total	\$ 4,909.7	\$ 4,516.0	8.7 %	\$ 4,516.0	\$ 5,355.6	(15.7) %

2021 vs. 2020

Professional & Industrial revenue from services decreased 1.1% due primarily to lower demand from our outcome-based call center specialty. Revenue from staffing services also declined on lower hours volume due to talent supply constraints even as customer demand improved. Lower hours volume in staffing services was partially offset by higher average bills rates. These decreases were partially offset by increased outcome-based revenue in other specialties, as well as higher permanent placement income which is included in revenue from services. The 53rd week added approximately 1% to 2020 reported revenue from services in Professional & Industrial.

Science, Engineering & Technology revenue from services increased 13.5% on a reported basis, which includes revenues from the acquisition of Softworld. On an organic basis, revenue growth was 3.9%, which was driven by hours increases in our staffing business across most specialties, coupled with an increase in outcome-based revenue and permanent placement income. The 53rd week added approximately 1% to 2020 reported revenue from services in Science, Engineering & Technology.

Education revenue from services increased 45.2% reflecting the return to in-school instruction by many schools, resulting in increased demand for our services as compared to a year ago. In 2020, many districts were using virtual or hybrid instruction methods due to the impact of COVID-19. The 53rd week added less than 1% to 2020 reported revenue from services in Education.

Outsourcing & Consulting revenue from services increased 18.9% due primarily to increased hours revenue volume in our PPO specialty, coupled with revenue growth in both RPO and MSP products. The 53rd week added approximately 2% to 2020 reported revenue from services in Outsourcing & Consulting.

International revenue from services increased 8.0% on a reported basis and increased 4.9% on a CC basis. Year-over-year revenue comparisons were unfavorably impacted by the sale of our staffing operations in Brazil in August 2020. Excluding Brazil, revenue increased 9.9% on a reported basis and 6.8% on a constant currency basis. The increase was primarily due to higher hours volume, particularly in Switzerland, Portugal, Italy and France. The 53rd week added approximately 1% to 2020 reported revenue from services in International.

2020 vs. 2019

Professional & Industrial revenue from services decreased due primarily to decreases in our hours volume in our staffing product which was impacted by COVID-19. These decreases were partially offset by increased revenue in our outcome-based products due to program expansions. The 53rd week added approximately 1% to 2020 reported revenue from services in Professional & Industrial.

Science, Engineering & Technology revenue from services decreased due to lower hours volume in our staffing product across most specialties due to the continued impact of COVID-19, with the exception of our government staffing business, which has seen increased demand for life sciences support. The 53rd week added approximately 1% to 2020 reported revenue from services in Science, Engineering & Technology.

Education revenue from services decreased due to the impact of COVID-19. Temporary school closures and use of virtual or hybrid instructional delivery reduced the demand. These decreases were partially offset by the revenues from the first quarter 2020 acquisition of Insight. The 53rd week added less than 1% to 2020 reported revenue from services in Education.

Outsourcing & Consulting revenue from services decreased due primarily to decreases in our PPO, MSP and RPO products due in part to COVID-19 demand declines, as well as lower demand from customers in the oil and gas industry. The 53rd week added approximately 2% to 2020 reported revenue from services in Outsourcing & Consulting.

International revenue from services decreased 16.4% on a reported basis and 15.6% on a CC basis. The decline was primarily due to a decrease in hours volume as COVID-19 disruptions continued across operations in all countries, in particular France, Portugal and the U.K. These decreases were partially offset by increased revenue in Russia, due to higher average bill rates. The 53rd week added approximately 1% to 2020 reported and CC revenue from services in International.

Operating Results By Segment (continued)

(Dollars in millions)

	2021 vs. 2020			2020 vs. 2019		
	2021 (52 Weeks)	2020 (53 Weeks)	Change	2020 (53 Weeks)	2019 (52 Weeks)	Change
Gross Profit:						
Professional & Industrial	\$ 310.0	\$ 330.2	(6.1) %	\$ 330.2	\$ 388.4	(15.0) %
Science, Engineering & Technology	253.9	209.4	21.3	209.4	226.2	(7.5)
Education	65.1	42.2	54.1	42.2	72.0	(41.3)
Outsourcing & Consulting	141.4	119.8	18.0	119.8	122.3	(2.0)
International	148.8	126.0	18.1	126.0	159.5	(21.0)
Consolidated Total	\$ 919.2	\$ 827.6	11.1 %	\$ 827.6	\$ 968.4	(14.5) %
Gross Profit Rate:						
Professional & Industrial	16.9 %	17.8 %	(0.9) pts.	17.8 %	17.5 %	0.3 pts.
Science, Engineering & Technology	21.9	20.5	1.4	20.5	20.0	0.5
Education	15.6	14.7	0.9	14.7	16.0	(1.3)
Outsourcing & Consulting	32.7	33.0	(0.3)	33.0	32.4	0.6
International	13.9	12.7	1.2	12.7	13.5	(0.8)
Consolidated Total	18.7 %	18.3 %	0.4 pts.	18.3 %	18.1 %	0.2 pts.

2021 vs. 2020

Gross profit for the Professional & Industrial segment decreased due to a decrease in the gross profit rate, combined with lower revenue volume. In comparison to the prior year, the gross profit rate decreased 90 basis points. This decrease reflects the unfavorable year-over-year impact of government wage subsidies, increased costs associated with our outcome-based call center specialties, higher employee-related costs in the staffing product and a shift in product mix compared to the prior year as demand for staffing services, which generally carry lower margins, increased. These decreases were partially offset by the impact of increased permanent placement income in 2021.

The Science, Engineering & Technology gross profit increased on higher revenue volume and an increase in the gross profit rate. The gross profit rate increased 140 basis points due to increased permanent placement income and improved specialty mix, including the acquisition of Softworld in April 2021, partially offset by higher employee-related costs.

Gross profit for the Education segment increased on higher revenue volume and an increase in the gross profit rate. The gross profit rate increased 90 basis points due primarily to higher permanent placement income from Greenwood/Asher, our acquisition in late 2020. This increase was partially offset by the unfavorable year-over-year impact of government wage subsidies.

The Outsourcing & Consulting gross profit increased on higher revenue volume, partially offset by a decrease in the gross profit rate. The gross profit rate decreased 30 basis points primarily due to a change in product mix within this segment, as revenues increased in our PPO product, which generates lower profit margins.

International gross profit increased on higher revenue volume and an increase in the gross profit rate. The gross profit rate increased 120 basis points primarily due to customer mix.

2020 vs. 2019

Gross profit for the Professional & Industrial segment declined as the result of lower revenue volume, partially offset by an improved gross profit rate. The gross profit rate increased 30 basis points due to lower employee-related costs coupled with improved product mix, as a greater proportion of the segment revenue came from outcome-based services with higher margins.

The Science, Engineering & Technology gross profit declined as lower revenue volume was partially offset by a higher gross profit rate. The gross profit rate increased 50 basis points due to lower employee-related costs, partially offset by specialty and customer mix.

Gross profit for the Education segment declined as a result of lower revenue volume, combined with a lower gross profit rate. The Education gross profit rate decreased 130 basis points due to increased pricing pressures, partially offset by lower employee-related costs.

Outsourcing & Consulting gross profit declined on lower revenue volume, partially offset by an improved gross profit rate. The Outsourcing & Consulting gross profit rate increased 60 basis points due to improved customer mix in the RPO product, coupled with lower employee-related costs in the PPO product.

International gross profit declined as a result of lower revenue volume and a decline in the gross profit rate. The International gross profit rate decreased primarily due to lower permanent placement revenue.

Operating Results By Segment (continued)

(Dollars in millions)

	2021 vs. 2020			2020 vs. 2019		
	2021 (52 Weeks)	2020 (53 Weeks)	% Change	2020 (53 Weeks)	2019 (52 Weeks)	% Change
SG&A Expenses:						
Professional & Industrial	\$ 278.6	\$ 288.6	(3.5) %	\$ 288.6	\$ 326.0	(11.5) %
Science, Engineering & Technology	180.2	134.4	34.1	134.4	146.7	(8.4)
Education	62.1	51.2	21.1	51.2	56.2	(8.8)
Outsourcing & Consulting	122.7	108.3	13.3	108.3	119.3	(9.2)
International	138.9	134.9	2.9	134.9	140.8	(4.2)
Corporate expenses	88.1	88.2	(0.1)	88.2	94.1	(6.3)
Consolidated Total	\$ 870.6	\$ 805.6	8.1 %	\$ 805.6	\$ 883.1	(8.8) %

	2021 vs. 2020			2020 vs. 2019		
	2021 (52 Weeks)	2020 (53 Weeks)	% Change	2020 (53 Weeks)	2019 (52 Weeks)	% Change
Restructuring Charges Included in SG&A Expenses:						
Professional & Industrial	\$ —	\$ 6.0	NM %	\$ 6.0	\$ 5.1	16.8 %
Science, Engineering & Technology	—	0.6	NM	0.6	0.4	74.1
Education	—	1.0	NM	1.0	—	NM
Outsourcing & Consulting	—	0.3	NM	0.3	—	NM
International	1.2	1.4	(10.2)	1.4	—	NM
Corporate expenses	2.8	3.5	(18.4)	3.5	—	NM
Consolidated Total	\$ 4.0	\$ 12.8	(69.0) %	\$ 12.8	\$ 5.5	131.5 %

2021 vs. 2020

Total SG&A expenses in Professional & Industrial decreased 3.5% and decreased 1.4% excluding restructuring charges. Expenses are lower as a result of cost reductions in response to lower revenue volumes, partially offset by higher performance-based compensation expenses.

Total SG&A expenses in Science, Engineering & Technology increased 34.1%, or 34.7% excluding restructuring charges. Excluding restructuring charges and the acquisition of Softworld, SG&A expenses increased 13.9%. Year-over-year comparisons of salaries and related costs were impacted by temporary expense mitigation actions taken in response to the COVID-19 disruption in 2020. These increases were combined with higher headcount in sales and recruiting talent, and an increase in performance-based incentive compensation.

Total SG&A expenses in Education increased 21.1%, or 23.6% excluding restructuring charges, primarily due to higher salary and incentives expense related to improving revenues. In addition, year-over-year comparisons of salaries and related costs were impacted by temporary expense mitigation actions taken in 2020 in response to the COVID-19 disruption. Expenses in 2021 include a charge to adjust the contingent consideration due to the former owners of Greenwood/Asher as a result of better than anticipated performance.

Total SG&A expenses in Outsourcing & Consulting increased 13.3% in comparison to the prior year. Year-over-year comparisons of salaries and related costs were impacted by temporary expense actions taken in 2020 in response to the impact of the COVID-19 disruption. These increases were combined with an increase in salaries and performance-based incentive compensation reflecting improving revenue.

Total SG&A expenses in International increased 2.9% on a reported basis and increased 0.1% on a constant currency basis. Total SG&A expenses in 2021 and 2020 include restructuring charges, and the prior year also included a charge related to a customer dispute in Mexico and SG&A expenses related to our staffing operations in Brazil, which were sold in August 2020. Excluding these items, SG&A expenses increased 13.6% on a reported basis and 10.4% on a constant currency basis. This increase was primarily due to higher performance-based compensation and higher salary-related expenses driven by an increase in headcount, reflecting improving revenue in Europe.

Corporate expenses decreased \$0.1 million from 2020. Lower disability, non-restructuring severance and restructuring costs were partially offset by higher performance-based compensation expense.

2020 vs. 2019

Total SG&A expenses in Professional & Industrial decreased due primarily to lower salaries and related costs due to cost management actions and initiatives taken to help mitigate the lower revenue volume as a result of the COVID-19 disruption. The decreased revenue volume also resulted in lower performance-based compensation. In addition, Professional & Industrial took restructuring actions in both 2020 and 2019, which reduced salaries and related costs and facilities expenses. Included in total SG&A expenses for 2020 and 2019 are the costs of those restructuring efforts of \$6.0 million and \$5.1 million, respectively, representing primarily employee severance costs.

Total SG&A expenses in Science, Engineering & Technology decreased due primarily to cost management actions and initiatives taken to help mitigate the lower revenue volume as a result of the COVID-19 disruption. The decreased revenue volume also resulted in lower performance-based compensation.

Total SG&A expenses in Education decreased due primarily to lower salaries and related costs resulting from the cost management actions and initiatives taken to help mitigate the lower revenue volume as a result of the COVID-19 disruption. The decreased revenue volume also resulted in lower performance-based compensation. These decreases were partially offset by the impact of the acquisition of Insight that took place in the first quarter of 2020.

Total SG&A expenses in Outsourcing & Consulting decreased due primarily to lower salaries and related expenses resulting from cost management actions and initiatives taken to help mitigate the lower revenue volume as a result of the COVID-19 disruption.

Total SG&A expenses in International decreased 4.2% on a reported basis and 3.6% on a CC basis. Included in International SG&A expenses for 2020 is a \$9.5 million non-cash charge related to a customer dispute in Mexico that resulted in an additional uncollectible accounts receivable charge. Excluding this charge, total SG&A expenses decreased 11.0% due primarily to lower salaries, driven by cost management to contend with the COVID-19 disruption, combined with lower incentive-based compensation.

Corporate expenses decreased as a result of lower performance-based compensation expense and lower professional fees, partially offset by restructuring charges incurred during 2020.

Operating Results By Segment (continued)
(Dollars in millions)

	2021 vs. 2020			2020 vs. 2019		
	2021 (52 Weeks)	2020 (53 Weeks)	% Change	2020 (53 Weeks)	2019 (52 Weeks)	% Change
Earnings (Loss) from Operations:						
Professional & Industrial	\$ 31.4	\$ 41.6	(24.4) %	\$ 41.6	\$ 62.4	(33.4) %
Science, Engineering & Technology	73.7	75.0	(1.7)	75.0	79.5	(5.8)
Education	3.0	(9.0)	NM	(9.0)	15.8	NM
Outsourcing & Consulting	18.7	11.5	62.7	11.5	3.0	291.3
International	9.9	(8.9)	NM	(8.9)	18.7	NM
Corporate	(88.1)	(203.8)	56.7	(203.8)	(97.6)	(108.6)
Consolidated Total	\$ 48.6	\$ (93.6)	NM %	\$ (93.6)	\$ 81.8	NM %

2021 vs. 2020

Professional & Industrial reported earnings of \$31.4 million, a 24.4% decrease from 2020. The decrease in earnings was primarily due to increased costs of services reducing our gross profit rate in our outcome-based product lines and the year-over-year impact of the government wage subsidies we received in 2020. These were partially offset by an increase in our permanent placement income.

Science, Engineering & Technology reported earnings of \$73.7 million, a 1.7% decrease from 2020. The decrease in earnings was primarily due to higher expenses related to performance-based incentive compensation and higher salaries. The increase in higher salaries was related to an investment in additional sales and recruiting resources, which exceeded revenue and gross margin growth. This was partially offset by earnings from Softworld, which was acquired in April 2021.

Education reported earnings of \$3.0 million, compared to a loss of \$9.0 million from 2020. The change was primarily due to an increase in revenue, reflecting the return to in-school instruction by many schools, resulting in increased demand for our services as compared to 2020. In 2020, many districts were using virtual or hybrid instruction methods due to the impact of COVID-19. Partially offsetting this improvement is a charge to adjust the contingent consideration due to the former owners of Greenwood/Asher.

Outsourcing & Consulting reported earnings of \$18.7 million, a 62.7% increase compared to 2020. The increase in earnings was primarily due to the impact of increased revenue volumes within the segment.

International reported earnings of \$9.9 million, compared to a loss of \$8.9 million in 2020. The increase in earnings was primarily due to the favorable comparison related to the charge for a customer dispute in Mexico and restructuring charges in 2020, combined with improving revenue in Europe.

Corporate loss from operations was \$88.1 million in 2021, compared to a loss of \$203.8 million in 2020. The 2020 loss includes the goodwill impairment charge of \$147.7 million, partially offset by a gain on sale of assets of \$32.1 million.

2020 vs. 2019

Professional & Industrial reported earnings of \$41.6 million, a 33.4% decrease from 2019. The decrease in earnings was primarily due to the impact of COVID-19 on our staffing product, partially offset by increases in our outcome-based products and the cost management initiatives taken to mitigate the impact of the pandemic on our operations.

Science, Engineering & Technology reported earnings of \$75.0 million, a 5.8% decrease from 2019. The decrease in earnings was primarily due to the impact of COVID-19 on demand for our services, partially offset by the cost management initiatives taken to mitigate its impact.

Education reported a loss of \$9.0 million, compared to earnings of \$15.8 million in 2019. The decrease is due to the impact of COVID-19 on our revenue, partially offset by the cost management initiatives taken to mitigate its impact.

Outsourcing & Consulting reported earnings of \$11.5 million, an \$8.5 million increase over 2019. The increase in earnings was primarily due to the impact of the cost management initiatives taken to mitigate the impact of COVID-19, partially offset by lower revenue volume due to the impact of COVID-19 and lower customer demand in the oil and gas industry.

International reported a loss of \$8.9 million, compared to earnings of \$18.7 million in 2019, largely driven by the impact of COVID-19 on revenue and a charge related to a customer dispute in Mexico, partially offset by cost management initiatives.

Corporate loss from operations of \$203.8 million for 2020 includes the goodwill impairment charge of \$147.7 million and gain on sale of assets of \$32.1 million.

Results of Operations Financial Condition

Historically, we have financed our operations through cash generated by operating activities and access to credit markets. Our working capital requirements are primarily generated from temporary employee payroll, which is generally paid weekly or monthly, and customer accounts receivable, which is generally outstanding for longer periods. Since receipts from customers lag payroll paid to temporary employees, working capital requirements increase substantially in periods of growth. Conversely, when economic activity slows, working capital requirements may substantially decrease. This may result in an increase in our operating cash flows; however, any such increase would not be sustainable in the event that an economic downturn continued for an extended period. The impact of the COVID-19 crisis on our business began in March 2020. While we have yet to return to pre-crisis revenue levels, we have experienced improving demand for our services and expect a sustained recovery throughout 2022.

As highlighted in the consolidated statements of cash flows, our liquidity and available capital resources are impacted by four key components: cash, cash equivalents and restricted cash, operating activities, investing activities and financing activities.

Cash, Cash Equivalents and Restricted Cash

Cash, cash equivalents and restricted cash totaled \$119.5 million at year-end 2021, compared to \$228.1 million at year-end 2020. As further described below, during 2021, we generated \$85.0 million of cash from operating activities, used \$180.7 million of cash for investing activities and used \$8.1 million of cash for financing activities.

Operating Activities

In 2021, we generated \$85.0 million of net cash from operating activities, as compared to generating \$186.0 million in 2020 and generating \$102.2 million in 2019. Net cash from operating activities in 2020 benefited from a deferral of \$117.0 million of U.S. federal payroll taxes. Net cash from operating activities in 2021 included \$29.7 million of cash outflows related to the repayment of the payroll tax deferral. The change from 2020 to 2021 was primarily due to the impact of changes in the payroll tax deferral, partially offset by the favorable impact of improving global DSO. The change from 2019 to 2020 was primarily due to the deferral of payroll tax payments, partially offset by the impact of higher global DSO.

Trade accounts receivable totaled \$1.4 billion at year-end 2021 and \$1.3 billion at year-end 2020. Global DSO for the fourth quarter was 60 days for 2021, compared to 64 days for 2020. DSO at year-end 2020 reflected the impact of customer-driven administrative issues among a limited number of large customers which were resolved in early 2021.

Our working capital position (total current assets less total current liabilities) was \$493.5 million at year-end 2021, a decrease of \$130.5 million from year-end 2020. Excluding the decrease in cash, working capital decreased \$20.2 million from year-end 2020. The current ratio (total current assets divided by total current liabilities) was 1.5 at year-end 2021 and 1.7 at year-end 2020.

Investing Activities

In 2021, we used \$180.7 million of net cash for investing activities, compared to generating \$9.8 million in 2020 and using \$94.3 million in 2019. Included in cash used for investing activities in 2021 is \$213.0 million of cash used for the acquisition of Softworld in April 2021, net of cash received and including working capital adjustments. This was partially offset by \$19.0 million of proceeds from an insurance settlement that represented a payment received in the fourth quarter of 2021 related to the settlement of claims under a representations and warranties insurance policy purchased by the Company in connection with the acquisition of Softworld.

Included in cash generated from investing activities in 2020 is \$55.5 million of proceeds representing the cash received, net of transaction expenses, for the sale of three headquarters properties as a part of a sale and leaseback transaction and \$5.6 million received from a payment on the loans to PersolKelly Pte. Ltd. This was partially offset by cash used for the acquisitions of Insight in January 2020 and Greenwood/Asher in November 2020. Cash used for the acquisition of Insight totaled \$36.4 million, net of the cash received and including working capital adjustments. Cash used for the acquisition of Greenwood/Asher totaled \$2.8 million, net of the cash received and including working capital adjustments.

Included in cash used for investing activities in 2019 is \$50.8 million for the acquisition of NextGen in January 2019, net of cash received, \$35.6 million for the acquisition of GTA in January 2019, net of cash received, and \$4.4 million for loans to

PersolKelly Pte. Ltd. to fund working capital requirements. These uses of cash were partially offset by proceeds of \$13.8 million primarily from the sale of unused land during the second quarter of 2019.

Capital expenditures totaled \$11.2 million in 2021, \$15.5 million in 2020 and \$20.0 million in 2019. Capital expenditures in 2021 primarily related to the Company's IT infrastructure, technology programs and headquarters building improvements. Capital expenditures in 2020 primarily related to the Company's headquarters leasehold improvements, IT infrastructure and technology programs. Capital expenditures in 2019 primarily related to the Company's technology programs.

Financing Activities

In both 2021 and 2020, we used \$8.1 million of cash for financing activities, as compared to using \$16.1 million in 2019. Changes in net cash from 2019 financing activities were primarily related to dividend payments. Dividends paid per common share were \$0.10 in 2021, \$0.075 in 2020 and \$0.30 in 2019. Payments of dividends are restricted by the financial covenants contained in our debt facilities. Details of this restriction are contained in the Debt footnote in the notes to our consolidated financial statements.

Changes in net cash from financing activities are also impacted by short-term borrowing activities. There was no debt at year-end 2021 and debt was \$0.3 million at year-end 2020. Debt-to-total capital (total debt reported in the consolidated balance sheet divided by total debt plus stockholders' equity) is a common ratio to measure the relative capital structure and leverage of the Company. Our ratio of debt-to-total capital was 0.0% at year-end 2021 and 2020.

In 2021, 2020 and 2019 the net change in short-term borrowings was primarily due to payments on local lines of credit.

Contractual Obligations and Commercial Commitments

Summarized below are our obligations and commitments to make future payments as of year-end 2021:

	Total	Payment due by period			
		Less than 1 year	1-3 Years	3-5 Years	More than 5 years
(In millions of dollars)					
Leases	\$ 99.6	\$ 23.4	\$ 26.7	\$ 14.6	\$ 34.9
Short-term borrowings	—	—	—	—	—
Accrued workers' compensation	57.8	20.8	17.4	7.5	12.1
Accrued retirement benefits	241.3	21.4	42.9	43.0	134.0
Accrued payroll taxes	87.1	29.5	57.6	—	—
Other liabilities	8.6	1.4	2.5	2.3	2.4
Uncertain income tax positions	0.8	0.2	0.5	—	0.1
Purchase obligations	69.7	28.1	41.5	0.1	—
Total	\$ 564.9	\$ 124.8	\$ 189.1	\$ 67.5	\$ 183.5

Purchase obligations above represent unconditional commitments relating primarily to technology services and online tools which we expect to utilize generally within the next three fiscal years, in the ordinary course of business. We have no material, unrecorded commitments, losses, contingencies or guarantees associated with any related parties or unconsolidated entities.

Liquidity

We expect to meet our ongoing short-term and long-term cash requirements principally through cash generated from operations, available cash and equivalents, securitization of customer receivables and committed unused credit facilities. Additional funding sources could include asset-based lending, additional bank facilities or sale of non-core assets. To meet significant cash requirements related to our nonqualified retirement plan, we may utilize proceeds from Company-owned life insurance policies. During 2020, cash generated from operations was supplemented by the deferral of payments of the Company's U.S. social security taxes as allowed by the Coronavirus Aid, Relief, and Economic Security Act. Such remaining deferrals are required to be repaid by January 3, 2023.

We utilize intercompany loans, dividends, capital contributions and redemptions to effectively manage our cash on a global basis. We periodically review our foreign subsidiaries' cash balances and projected cash needs. As part of those reviews, we may identify cash that we feel should be repatriated to optimize the Company's overall capital structure. As of the 2021 year end, these reviews have not resulted in plans to repatriate foreign subsidiary cash. We expect much of our international cash will be needed to fund working capital growth in our local operations as working capital needs, primarily trade accounts receivable, increase during periods of growth. A cash pooling arrangement (the "Cash Pool") is available to fund general corporate needs internationally. The Cash Pool is a set of cash accounts maintained with a single bank that must, as a whole, maintain at least a zero balance; individual accounts may be positive or negative. This allows countries with excess cash to invest and countries with cash needs to utilize the excess cash.

At year-end 2021, we had \$200.0 million of available capacity on our \$200.0 million revolving credit facility and \$97.0 million of available capacity on our \$150.0 million securitization facility. The securitization facility carried no short-term borrowings and \$53.0 million of standby letters of credit related to workers' compensation. Together, the revolving credit and securitization facilities provide the Company with committed funding capacity that may be used for general corporate purposes subject to financial covenants and restrictions. While we believe these facilities will cover our working capital needs over the short term, if economic conditions or operating results change significantly from our current expectations, we may need to seek additional sources of funds. Throughout 2021 and as of the 2021 year end, we met the debt covenants related to our revolving credit facility and securitization facility.

At year-end 2021, we also had additional unsecured, uncommitted short-term credit facilities totaling \$8.1 million, under which we had no borrowings. Details of our debt facilities as of the 2021 year end are contained in the Debt footnote in the notes to our consolidated financial statements.

We have historically managed our cash and debt very closely to optimize our capital structure. As our cash balances build, we tend to pay down debt as appropriate. Conversely, when working capital needs grow, we tend to use corporate cash and cash available in the Cash Pool first, and then access our borrowing facilities. We expect our working capital requirements to increase over the next several quarters if demand for our services continues to increase and to pay the deferred payroll tax balances, of which \$29.5 million was paid on January 3, 2022 and another \$57.6 million is due on January 3, 2023.

In February 2022, we entered into transactions to monetize a portion of our assets in the Asia-Pacific region which will allow us to strategically redeploy resources to accelerate our growth. Specifically, we are unwinding our cross-shareholding arrangement with Persol Holdings and reducing our ownership interest in PersolKelly, our APAC joint venture. We sold our investment in Persol Holdings common stock in an open market transaction. We repurchased the 1.6 million Kelly Class A and 1,475 Kelly Class B common shares owned by Persol Holdings at a price based on the last five trading days prior to the transaction. We will sell almost all of our ownership interest in PersolKelly to our joint venture partner. The transactions will be complete in the first quarter of 2022.

We monitor the credit ratings of our major banking partners on a regular basis and have regular discussions with them. Based on our reviews and communications, we believe the risk of one or more of our banks not being able to honor commitments is insignificant. We also review the ratings and holdings of our money market funds and other investment vehicles regularly to ensure high credit quality and access to our invested cash.

Critical Accounting Estimates

We prepare our consolidated financial statements in conformity with accounting principles generally accepted in the United States. In this process, it is necessary for us to make certain assumptions and related estimates affecting the amounts reported in the consolidated financial statements and the attached notes. Actual results can differ from assumed and estimated amounts.

Critical accounting estimates are those that we believe require the most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. We base our estimates on historical experience and on various other assumptions we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Judgments and uncertainties affecting the application of those estimates may result in materially different amounts being reported under different conditions or using different assumptions. We consider the following estimates to be most critical in understanding the judgments involved in preparing our consolidated financial statements.

Workers' Compensation

In the U.S., we have a combination of insurance and self-insurance contracts under which we effectively bear the first \$1.0 million of risk per single accident. There is no aggregate limitation on our per-accident exposure under these insurance and self-insurance programs. We establish accruals for workers' compensation utilizing actuarial methods to estimate the undiscounted future cash payments that will be made to satisfy the claims, including an allowance for incurred-but-not-reported claims. We retain an independent consulting actuary to establish ultimate loss forecasts for the current and prior accident years of our insurance and self-insurance programs. The consulting actuary establishes loss development factors, based on our historical claims experience as well as industry experience, and applies those factors to current claims information to derive an estimate of our ultimate claims liability. In preparing the estimates, the consulting actuary may consider factors such as the nature, frequency and severity of the claims; reserving practices of our third party claims administrators; performance of our medical cost management and return to work programs; changes in our territory and business line mix; and current legal, economic and regulatory factors such as industry estimates of medical cost trends. Where appropriate, multiple generally accepted actuarial techniques are applied and tested in the course of preparing the loss forecast. We use the ultimate loss forecasts, as developed by the consulting actuary, to establish total expected program costs for each accident year by adding our estimates of non-loss costs such as claims handling fees and excess insurance premiums. When claims exceed the applicable loss limit or self-insured retention and realization of recovery of the claim from existing insurance policies is deemed probable, we record a receivable from the insurance company for the excess amount.

We evaluate the accrual quarterly and make adjustments as needed. The ultimate cost of these claims may be greater than or less than the established accrual. While we believe that the recorded amounts are reasonable, there can be no assurance that changes to our estimates will not occur due to limitations inherent in the estimation process. In the event we determine that a smaller or larger accrual is appropriate, we would record a credit or a charge to cost of services in the period in which we made such a determination. The accrual for workers' compensation, net of related receivables which are included in prepaid expenses and other current assets and other assets in the consolidated balance sheet, was \$48.4 million and \$54.6 million at year-end 2021 and 2020, respectively.

Business Combinations

We account for business combinations using the acquisition method of accounting, in which the purchase price is allocated for assets acquired and liabilities assumed and recorded at the estimated fair values at the date of acquisition. Any excess of the purchase price over the estimated fair values of the net assets acquired is recorded as goodwill. Management is required to make significant assumptions and estimates in determining the fair value of the assets acquired, particularly intangible assets. Purchased intangible assets are primarily comprised of acquired trade names and customer relationships that are recorded at fair value at the date of acquisition. We utilize third-party valuation specialists to assist us in the determination of the fair value of the intangibles. The fair value of trade name intangibles is determined using the relief-from-royalty method, which relies on the use of estimates and assumptions about projected revenue growth rates, royalty rates and discount rates. The fair value of customer relationship intangibles is determined using the multi-period excess earnings method, which relies on the use of estimates and assumptions about projected revenue growth rates, customer attrition rates, profit margins and discount rates. Determining the useful lives of intangible assets also requires judgment and are inherently uncertain. There is a measurement period of up to one year in which to finalize the fair value determinations and preliminary fair value estimates may be revised if new information is obtained during this period.

Income Taxes

Income tax expense is based on expected income and statutory tax rates in the various jurisdictions in which we operate. Judgment is required in determining our income tax expense.

Our effective tax rate includes the impact of accruals and changes to accruals that we consider appropriate, as well as related interest and penalties. A number of years may lapse before a particular matter, for which we have or have not established an accrual, is audited and finally resolved. While it is often difficult to predict the final outcome or the timing of resolution of any particular tax matter, we believe that our accruals are appropriate under generally accepted accounting principles. Favorable or unfavorable adjustments of the accrual for any particular issue would be recognized as an increase or decrease to our income tax expense in the period of a change in facts and circumstances. Our current tax accruals are presented in income and other taxes in the consolidated balance sheet and long-term tax accruals are presented in other long-term liabilities in the consolidated balance sheet.

Tax laws require items to be included in the tax return at different times than the items are reflected in the consolidated financial statements. As a result, the income tax expense reflected in our consolidated financial statements is different than the liability reported in our tax return. Some of these differences are permanent, which are not deductible or taxable on our tax return, and some are temporary differences, which give rise to deferred tax assets and liabilities. We establish valuation allowances for our deferred tax assets when the amount of expected future taxable income is not likely to support the use of the deduction or credit. Our net deferred tax asset is recorded using currently enacted tax laws, and may need to be adjusted in the event tax laws change.

The U.S. work opportunity credit is allowed for wages earned by employees in certain targeted groups. The actual amount of creditable wages in a particular period is estimated, since the credit is only available once an employee reaches a minimum employment period and the employee's inclusion in a targeted group is certified by the applicable state. As these events often occur after the period the wages are earned, judgment is required in determining the amount of work opportunity credits accrued for in each period. We evaluate the accrual regularly throughout the year and make adjustments as needed.

Goodwill

We test goodwill for impairment annually and whenever events or circumstances make it more likely than not that an impairment may have occurred. Generally accepted accounting principles require that goodwill be tested for impairment at a reporting unit level. For segments with a goodwill balance, we have determined that our reporting units are the same as our operating and reportable segments based on our organizational structure or one level below our operating segments (the component level).

We may first use a qualitative assessment ("step zero test") for the annual impairment test if we have determined that it is more likely than not that the fair value for one or more reporting units is greater than their carrying value. In conducting the qualitative assessment, we assess the totality of relevant events and circumstances that affect the fair value or carrying value of the reporting unit. Such events and circumstances may include macroeconomic conditions, industry and market conditions, cost factors, overall financial performance, entity-specific events and events affecting a reporting unit.

If we elect to forgo the qualitative assessment for a reporting unit, goodwill is tested for impairment by comparing the estimated fair value of a reporting unit to its carrying value ("step one test"). If the estimated fair value of a reporting unit exceeds the carrying value of the net assets assigned to a reporting unit, goodwill is not considered impaired and no further testing is required. If the carrying value of the net assets assigned to a reporting unit exceeds the estimated fair value of a reporting unit, goodwill is deemed impaired and is written down to the extent of the difference.

To derive the estimated fair value of a reporting unit, we primarily relied on an income approach. Under the income approach, estimated fair value is determined based on estimated future cash flows discounted by an estimated market participant weighted-average cost of capital, which reflects the overall level of inherent risk of the reporting unit being measured. Estimated future cash flows are based on our internal projection model and reflects management's outlook for the reporting units. Assumptions and estimates about future cash flows and discount rates are complex and often subjective. They can be affected by a variety of factors, including external factors such as industry and economic trends, and internal factors such as changes in our business strategy and our internal forecasts. Our analysis used significant assumptions by reporting unit, including: expected future revenue growth rates, profit margins and discount rate.

The goodwill resulting from the acquisition of Softworld during the second quarter of 2021 was allocated to the SET reportable segment and Softworld was deemed to be a separate reporting unit. The goodwill resulting from the acquisition of Greenwood/

Asher during the fourth quarter of 2020 was allocated to the Education reportable segment, which was deemed to be a reporting unit. See the Acquisitions and Disposition footnote in the notes to our consolidated financial statements for more information.

We completed our annual impairment test for all reporting units with goodwill in the fourth quarter for the fiscal year ended 2021. We performed a step one quantitative test for the Softworld reporting unit. As a result of the quantitative assessment, we determined that the estimated fair value of the Softworld reporting unit was more than its carrying value. Additionally, we performed a step zero qualitative analysis for the Education reporting unit to determine whether a further quantitative analysis was necessary and concluded that a step one quantitative analysis was not necessary. As a result of the quantitative and qualitative assessments, the Company determined goodwill was not impaired as of year-end 2021.

Our analysis used significant assumptions, including: expected future revenue growth rates, profit margins and discount rate. Although we believe the assumptions and estimates we have made are reasonable and appropriate, different assumptions and estimates could materially impact our reported financial results. Different assumptions of the anticipated future results and growth from our business could result in an impairment charge, which would decrease operating income and result in lower asset values on our consolidated balance sheet. The estimated fair value of the Softworld reporting unit exceeds the carrying value by more than 10%. As a measure of sensitivity of the fair value of the reporting unit, while holding all other assumptions constant, an increase in the discount rate of 100 basis points or a decrease of 100 basis points in the revenue growth rate assumptions for each forecasted period used to determine the fair value of the reporting unit would not result in an impairment of goodwill.

During the first quarter of 2020, negative market reaction to the COVID-19 crisis, including declines in our common stock price, caused our market capitalization to decline significantly compared to the fourth quarter of 2019, causing a triggering event. Therefore, we performed an interim step one quantitative test for our previous reporting units with goodwill, Americas Staffing and GTS, and determined that the estimated fair values of both reporting units no longer exceeded their carrying values. Based on the result of our interim goodwill impairment test as of the first quarter of 2020, we recorded a goodwill impairment charge of \$147.7 million to write off the entire goodwill balance.

In the fourth quarter of 2020, the Company elected to perform a step zero qualitative analysis to determine whether a further quantitative assessment was necessary for the reporting unit with goodwill. The step zero test included making judgments and assessments to determine whether any events or circumstances have occurred that makes it more likely than not that the fair value of a reporting unit is less than its carrying amount. As a result of this qualitative assessment, a step one quantitative analysis was not deemed necessary and the goodwill was not impaired.

At year-end 2021 and 2020, total goodwill amounted to \$114.8 million and \$3.5 million, respectively. See the Goodwill and Intangible Assets footnote in the notes to our consolidated financial statements for more information.

Litigation

Kelly is subject to legal proceedings, investigations and claims arising out of the normal course of business. Kelly routinely assesses the likelihood of any adverse judgments or outcomes to these matters, as well as ranges of probable losses. A determination of the amount of the accruals required, if any, for these contingencies is made after analysis of each known issue. Development of the analysis includes consideration of many factors including: potential exposure, the status of proceedings, negotiations, discussions with our outside counsel and results of similar litigation. The required accruals may change in the future due to new developments in each matter. For further discussion, see the Contingencies footnote in the notes to our consolidated financial statements. At both year-end 2021 and 2020, the gross accrual for litigation costs amounted to \$1.4 million which is included in accounts payable and accrued liabilities and in accrued workers' compensation and other claims in the consolidated balance sheet.

NEW ACCOUNTING PRONOUNCEMENTS

See New Accounting Pronouncements footnote in the notes to our consolidated financial statements presented in Part II, Item 8 of this report for a description of new accounting pronouncements.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained herein and in our investor conference call related to these results are “forward-looking” statements within the meaning of the applicable securities laws and regulations. These forward-looking statements are based on current expectations and assumptions and are subject to a number of significant risks and uncertainties. Forward-looking statements include statements which are predictive in nature, which depend upon or refer to future events or conditions, or which include words such as “expects,” “anticipates,” “intends,” “plans,” “believes,” “estimates,” or variations or negatives thereof or by similar or comparable words or phrases. In addition, any statements concerning future financial performance (including future revenues, earnings or growth rates), ongoing business strategies or prospects, and possible future actions by us that may be provided by management, including oral statements or other written materials released to the public, are also forward-looking statements. Forward-looking statements are based on current expectations and projections about future events and are subject to risks, uncertainties and assumptions about our Company and economic and market factors in the countries in which we do business, among other things. These statements are not guarantees of future performance, and we have no specific intention to update these statements.

Actual events and results may differ materially from those expressed or forecasted in forward-looking statements due to a number of factors. The principal important risk factors that could cause our actual performance and future events and actions to differ materially from such forward-looking statements include, but are not limited to, changing market and economic conditions, the impact of the novel coronavirus (COVID-19) outbreak, competitive market pressures including pricing and technology introductions and disruptions, disruption in the labor market and weakened demand for human capital resulting from technological advances, competition law risks, the impact of changes in laws and regulations (including federal, state and international tax laws), unexpected changes in claim trends on workers’ compensation, unemployment, disability and medical benefit plans, or the risk of additional tax liabilities in excess of our estimates, our ability to achieve our business strategy, our ability to successfully develop new service offerings, material changes in demand from or loss of large corporate customers as well as changes in their buying practices, risks particular to doing business with government or government contractors, the risk of damage to our brand, our exposure to risks associated with services outside traditional staffing, including business process outsourcing, services of licensed professionals and services connecting talent to independent work, our increasing dependency on third parties for the execution of critical functions, our ability to effectively implement and manage our information technology strategy, the risks associated with past and future acquisitions, including risk of related impairment of goodwill and intangible assets, exposure to risks associated with investments in equity affiliates including PersolKelly Pte. Ltd., risks associated with conducting business in foreign countries, including foreign currency fluctuations, the exposure to potential market and currency exchange risks relating to our investment in Persol Holdings, risks associated with violations of anti-corruption, trade protection and other laws and regulations, availability of qualified full-time employees, availability of temporary workers with appropriate skills required by customers, liabilities for employment-related claims and losses, including class action lawsuits and collective actions, our ability to sustain critical business applications through our key data centers, risks arising from failure to preserve the privacy of information entrusted to us or to meet our obligations under global privacy laws, the risk of cyberattacks or other breaches of network or information technology security, our ability to realize value from our tax credit and net operating loss carryforwards, 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 report and in our other filings with the Securities and Exchange Commission. Actual results may differ materially from any forward-looking statements contained herein, and we undertake no duty to update any forward-looking statement to conform the statement to actual results or changes in the Company’s expectations. Certain risk factors are discussed more fully under “Risk Factors” in Part I, Item 1A of this report.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

We are exposed to foreign currency risk primarily related to our foreign subsidiaries. Exchange rates impact the U.S. dollar value of our reported earnings, our investments in and held by subsidiaries, local currency denominated borrowings and intercompany transactions with and between subsidiaries. Our foreign subsidiaries primarily derive revenues and incur expenses within a single country and currency which, as a result, provide a natural hedge against currency risks in connection with normal business operations. Accordingly, changes in foreign currency rates vs. the U.S. dollar, euro or Swiss franc generally do not impact local cash flows. Intercompany transactions which create transactional foreign currency risk include services, royalties, loans, contributions and distributions.

In addition, we are exposed to interest rate risks through our use of the multi-currency line of credit and other borrowings. A hypothetical fluctuation of 10% of market interest rates would not have had a material impact on 2021 earnings.

We are exposed to market and currency risks on our investment in Persol Holdings, which may be material. The investment is stated at fair value and is marked to market through net earnings. Foreign currency fluctuations on this yen-denominated

investment are reflected as a component of other comprehensive income. See Fair Value Measurements footnote in the notes to our consolidated financial statements of this Annual Report on Form 10-K for further discussion.

We are exposed to market risk as a result of our obligation to pay benefits under our nonqualified deferred compensation plan and our related investments in company-owned variable universal life insurance policies. The obligation to employees increases and decreases based on movements in the equity and debt markets. The investments in mutual funds, as part of the company-owned variable universal life insurance policies, are designed to mitigate, but not eliminate, this risk with offsetting gains and losses.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

The financial statements and supplementary data required by this Item are set forth in the accompanying index on page 47 of this filing and are presented in pages 48-97.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

ITEM 9A. CONTROLS AND PROCEDURES.

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

Based on their evaluation as of the end of the period covered by this report, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) are effective at a reasonable assurance level.

Management's Report on Internal Control Over Financial Reporting

Management's report on internal control over financial reporting is presented preceding the consolidated financial statements on page 48 of this report.

Attestation Report of Independent Registered Public Accounting Firm

PricewaterhouseCoopers LLP, independent registered public accounting firm, has audited the effectiveness of our internal control over financial reporting as of January 2, 2022, as stated in their report which appears herein.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during our fourth fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION.

None.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS.

Not applicable.

PART III

Information required by Part III with respect to Directors, Executive Officers and Corporate Governance (Item 10), Executive Compensation (Item 11), Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters (Item 12), Certain Relationships and Related Transactions, and Director Independence (Item 13) and Principal Accounting Fees and Services (Item 14), except as set forth under the titles “Executive Officers of the Registrant,” which is included on pages 42-43, and “Code of Business Conduct and Ethics,” which is included on page 44, (Item 10), and except as set forth under the title “Equity Compensation Plan Information,” which is included on pages 44-45, (Item 12), is to be included in a definitive proxy statement filed not later than 120 days after the close of our fiscal year and the proxy statement, when filed, is incorporated in this report by reference.

ITEM 10. EXECUTIVE OFFICERS OF THE REGISTRANT.

The following individuals serve as executive officers of the Company as of January 29, 2022:

<u>Name/Office</u>	<u>Age</u>	<u>Served as an Officer Since</u>	<u>Business Experience During Last 5 Years</u>
Peter W. Quigley President and Chief Executive Officer	60	2004	Served as officer of the Company.
Olivier G. Thiroit Executive Vice President and Chief Financial Officer	60	2008	Served as officer of the Company.
Peter M. Boland Senior Vice President Chief Marketing Officer	57	2018	January 2018 - Present Served as officer of the Company. January 2012 - June 2017 SVP Brand Marketing - Charles Schwab & Co., San Francisco, CA
Amy J. Bouque Senior Vice President Chief People Officer	53	2020	September 2020 - Present Served as officer of the Company. January 2016 - August 2020 Executive Director - Talent Management - Ally Financial, Detroit Michigan
Tammy L. Browning Senior Vice President President, KellyOCG	48	2018	October 2018 - Present Served as officer of the Company. October 2010 - April 2018 SVP Global Operations - Yoh
Timothy L. Dupree Senior Vice President President, Kelly Professional & Industrial	45	2014	Served as officer of the Company.
Dinette Koolhaas Senior Vice President President, Kelly International	52	2008	Served as officer of the Company.

ITEM 10. EXECUTIVE OFFICERS OF THE REGISTRANT (continued)

Name/Office	Age	Served as an Officer Since	Business Experience During Last 5 Years
Daniel Hugo Malan Senior Vice President President, Kelly Science, Engineering & Technology	52	2020	March 2020 - Present Served as officer of the Company. December 2019 - February 2020 Managing Partner - Talent Capital Advisors August 2018 - November 2019 Chief Operating Officer - Employbridge December 2016 - July 2018 President, Commercial Business - Employbridge November 2014 - November 2016 EVP & President - North America Staffing, CDI
Nicola M. Soares Senior Vice President President, Kelly Education	53	2011	Served as officer of the Company.
Vanessa P. Williams Senior Vice President General Counsel Assistant Secretary	50	2020	October 2020 - Present Served as officer of the Company. February 2020 - September 2020 SVP, Division General Counsel- Transportation and Third Party Risk Management and Compliance - IHS Markit December 2016 - February 2020 VP, Division General Counsel - Transportation - IHS Markit February 2014 - December 2016 VP, Chief Legal Counsel & Global Privacy Officer - IHS Markit
Laura S. Lockhart Vice President, Corporate Controller and Chief Accounting Officer	52	2008	Served as officer of the Company.

CODE OF BUSINESS CONDUCT AND ETHICS.

We have adopted a Code of Business Conduct and Ethics that applies to our directors, officers and employees, including our principal executive officer, principal financial officer and principal accounting officer or controller or persons performing similar functions. The Code of Business Conduct and Ethics is included as Exhibit 14 in the Index to Exhibits on page 98. We have posted our Code of Business Conduct and Ethics on our website at www.kellyservices.com. We intend to post any changes in or waivers from our Code of Business Conduct and Ethics applicable to any of these officers on our website.

ITEM 12. SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS.

Equity Compensation Plan Information

The following table shows the number of shares of our Class A common stock that may be issued upon the exercise of outstanding options, warrants and rights, the weighted-average exercise price of outstanding options, warrants and rights, and the number of securities remaining available for future issuance under our equity compensation plans as of the fiscal year end for 2021.

	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in the first column)
Equity compensation plans approved by security holders - Evergreen provision ^{(1),(2)}	—	\$ —	—
Equity compensation plans approved by security holders - Fixed Share provision ^{(1),(3)}	—	—	2,889,970
Equity compensation plans not approved by security holders ⁽⁴⁾	—	—	—
Total	—	\$ —	2,889,970

(1) The equity compensation plan approved by our stockholders is our Equity Incentive Plan.

(2) The Evergreen provision applied to shares granted prior to May 10, 2017, and the Equity Incentive Plan provided that the maximum number of shares available for grants, including restricted stock, was 15 percent of the outstanding Class A common stock, adjusted for plan activity over the preceding five years. The Company has no plans to issue additional shares under the Evergreen provision that was in effect prior to May 10, 2017.

There are no restricted stock awards, financial measure performance awards, total shareholder return performance awards, or single financial measure performance awards to exclude as of January 2, 2022 or going forward as there are no longer any unvested/unearned shares related to the Evergreen provision.

(3) The Fixed Share provision applies to shares granted on and after May 10, 2017, and the amended Equity Incentive Plan provides that the maximum number of shares available for grants is 4,700,000.

The number of shares to be issued upon exercise of outstanding options, warrants and rights under the Fixed Share provision excludes: 402,998 shares of restricted stock; performance shares that have been earned but not yet vested totaling zero of financial measure performance awards, zero total shareholder return performance awards, and 12,776 single financial measure performance awards; and performance shares granted to employees and not yet earned or vested totaling 104,436 shares of single financial measure performance awards and 873,343 shares of financial

measure performance awards, calculated using an assumed maximum award performance level of 200%, where applicable, at January 2, 2022.

- (4) The Non-Employee Directors Deferred Compensation Plan is an equity compensation plan that has not been approved by our stockholders. This plan provides non-employee directors with the opportunity to defer all or a portion of the fees they receive. Participants may elect to have director fees that are paid in either cash or common stock, deferred into the plan. Participants choose from a list of investment funds as determined by the Company for their deferrals of cash. Deferrals of common stock must remain in common stock. Amounts deferred under the plan are subject to applicable tax withholding. The plan is intended to be a non-qualified deferred compensation arrangement in compliance with Section 409A of the Code. Shares acquired by participants in this plan will be issued from the share reserve stated in the Equity Incentive Plan.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES.

(a) The following documents are filed as part of this report:

(i) Financial statements:

Management's Report on Internal Control Over Financial Reporting

Report of Independent Registered Public Accounting Firm (PCAOB ID 238)

Consolidated Statements of Earnings for the three fiscal years ended January 2, 2022

Consolidated Statements of Comprehensive Income for the three fiscal years ended January 2, 2022

Consolidated Balance Sheets at January 2, 2022 and January 3, 2021

Consolidated Statements of Stockholders' Equity for the three fiscal years ended January 2, 2022

Consolidated Statements of Cash Flows for the three fiscal years ended January 2, 2022

Notes to Consolidated Financial Statements

(ii) Financial Statement Schedule -

For the three fiscal years ended January 2, 2022:

Schedule II - Valuation Reserves

All other schedules are omitted because they are not applicable or the required information is shown in the financial statements or notes thereto.

(iii) The Exhibits are listed in the Index to Exhibits included beginning at page 98, which is incorporated herein by reference.

(b) The Index to Exhibits and required Exhibits are included following the Financial Statement Schedule beginning at page 98 of this filing.

(c) None.

ITEM 16. FORM 10-K SUMMARY.

None.

KELLY SERVICES, INC. AND SUBSIDIARIES

**INDEX TO FINANCIAL STATEMENTS AND
SUPPLEMENTAL SCHEDULE**

Page Reference
in Report on
Form 10-K

Management's Report on Internal Control Over Financial Reporting	48
Report of Independent Registered Public Accounting Firm	49
Consolidated Statements of Earnings for the three fiscal years ended January 2, 2022	52
Consolidated Statements of Comprehensive Income for the three fiscal years ended January 2, 2022	53
Consolidated Balance Sheets at January 2, 2022 and January 3, 2021	54
Consolidated Statements of Stockholders' Equity for the three fiscal years ended January 2, 2022	56
Consolidated Statements of Cash Flows for the three fiscal years ended January 2, 2022	57
Notes to Consolidated Financial Statements	59
Financial Statement Schedule - Schedule II - Valuation Reserves at January 2, 2022, January 3, 2021 and December 29, 2019	97

Management's Report on Internal Control Over Financial Reporting

The management of Kelly Services, Inc. (the "Company"), is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rules 13a-15(f) and 15d-15(f) promulgated under the Securities Exchange Act of 1934 as a process designed by, or under the supervision of, the Company's principal executive and principal financial officers and effected by the Company's board of directors, management and other personnel, 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 and includes those policies and procedures that:

- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company;
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

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

On April 5, 2021, we completed the acquisition of Softworld. Given the significance of the Softworld acquisition and the complexity of systems and business processes, we have excluded the acquired Softworld business from our assessment of the effectiveness of internal control over financial reporting for the year ending January 2, 2022. Softworld accounted for approximately 2% of the Company's total assets as of January 2, 2022 and approximately 2% of the Company's total revenue for the year ended 2021.

The Company's management assessed the effectiveness of the Company's internal control over financial reporting as of January 2, 2022. In making this assessment, the Company's management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework (2013).

Based on our assessment, management determined that, as of January 2, 2022, the Company's internal control over financial reporting was effective based on those criteria.

The effectiveness of the Company's internal control over financial reporting as of January 2, 2022 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears on pages 49-51.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Kelly Services, Inc.

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Kelly Services, Inc. and its subsidiaries (the “Company”) as of January 2, 2022 and January 3, 2021, and the related consolidated statements of earnings, comprehensive income, stockholders’ equity and cash flows for the years ended January 2, 2022, January 3, 2021, and December 29, 2019, including the related notes and financial statement schedule listed in the accompanying index (collectively referred to as the “consolidated financial statements”). We also have audited the Company's internal control over financial reporting as of January 2, 2022, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of January 2, 2022 and January 3, 2021, and the results of its operations and its cash flows for the years ended January 2, 2022, January 3, 2021, and December 29, 2019 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of January 2, 2022, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Report on Internal Control Over Financial Reporting. Our responsibility is to express opinions on the Company’s consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

As described in Management’s Report on Internal Control over Financial Reporting, management has excluded Softworld, Inc. from its assessment of internal control over financial reporting as of January 2, 2022 because it was acquired by the Company in a purchase business combination during 2021. We have also excluded Softworld, Inc. from our audit of internal control over financial reporting. Softworld, Inc. is a wholly-owned subsidiary whose total assets and total revenues excluded from management’s assessment and our audit of internal control over financial reporting each represent approximately 2% of the related consolidated financial statement amounts as of and for the year ended January 2, 2022.

Definition and Limitations of Internal Control over Financial Reporting

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the

company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that (i) relate to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Workers' Compensation

As described in Note 1 to the consolidated financial statements, in the U.S., the Company has a combination of insurance and self-insurance contracts under which they effectively bear the first \$1.0 million of risk per single accident. Management establishes the accrual for workers' compensation claims utilizing actuarial methods to estimate the undiscounted future cash payments that will be made to satisfy the claims, including an allowance for incurred-but-not-reported claims. Management retains an independent consulting actuary to establish loss development factors, based on historical claims experience as well as industry experience, and applies those factors to current claims information to derive an estimate of the ultimate claims liability. In preparing the estimates, the consulting actuary considers a number of assumptions and multiple generally accepted actuarial methods in the course of preparing the loss forecast for claims. When claims exceed the applicable loss limit or self-insured retention and realization of recovery of the claim from existing insurance policies is deemed probable, management records a receivable from the insurance company for the excess amount. Management evaluates the accrual quarterly throughout the year and makes adjustments as needed. As disclosed by management, as of January 2, 2022, the accrual for accrued workers' compensation, net of related receivables, is \$48.4 million.

The principal considerations for our determination that performing procedures relating to workers' compensation is a critical audit matter are (i) the significant judgment by management when determining the actuarial methods and the significant assumptions to use in establishing the accrual for workers' compensation claims; (ii) a high degree of auditor judgment, subjectivity, and effort in performing procedures and evaluating management's actuarial methods and significant assumptions related to the loss development factors; and (iii) the audit effort involved the use of professionals with specialized skill and knowledge.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to management's accrual for workers' compensation claims, including controls over the actuarial methods and development of significant assumptions. These procedures also included, among others (i) the involvement of professionals with specialized skill and knowledge to assist in developing an independent estimate for the accrual for workers' compensation claims and (ii) comparing the independent estimate to management's estimate to evaluate the reasonableness of management's estimate. Developing the independent estimate involved (i) testing the completeness and accuracy of underlying data provided by management; (ii) evaluating management's actuarial methods and significant assumptions related to the loss development factors; and (iii) independently developing the loss development factors and actuarial methods used.

Acquisition of Softworld, Inc. – Valuation of Trade Name and Customer Relationships

As described in Notes 1 and 4 to the consolidated financial statements, in 2021, the Company completed the acquisition of Softworld, Inc. (Softworld) for \$217.0 million, which resulted in \$79.4 million of intangible assets being recorded. Those intangible assets were comprised of a trade name of \$23.1 million and customer relationships of \$54.9 million. Fair value of the trade name intangible asset was estimated by management using a relief-from-royalty valuation method and customer relationships intangible asset was estimated using a multi-period excess earnings valuation method. Management's determination of the fair value of the trade name included assumptions related to projected revenue growth rates, royalty rates and discount rates. Management's determination of the fair value of the customer relationships included assumptions related to projected revenue growth rates, customer attrition rates, profit margins and discount rates.

The principal considerations for our determination that performing procedures relating to the valuation of trade name and customer relationships acquired in the Softworld acquisition is a critical audit matter are (i) the significant judgment by management when determining the fair value of the intangibles; (ii) a high degree of auditor judgment, subjectivity and effort in

performing procedures and evaluating management's significant assumptions related to projected revenue growth rates, royalty rate and discount rate for the trade name intangible asset and projected revenue growth rates, customer attrition rate, profit margins and discount rate for the customer relationships intangible asset; and (iii) the audit effort involved the use of professionals with specialized skill and knowledge.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to the acquisition accounting, including controls over management's valuation of the intangible assets and controls over development of the significant assumptions related to projected revenue growth rates, royalty rate and discount rate for the trade name intangible asset and projected revenue growth rates, customer attrition rate, profit margins and discount rate for the customer relationships intangible asset. These procedures also included, among others (i) reading the purchase agreement and (ii) testing management's process for determining the fair value of the intangible assets. Testing management's process included evaluating the appropriateness of the valuation methods, testing the completeness and accuracy of underlying data used in the valuations, and evaluating the reasonableness of significant assumptions related to projected revenue growth rates, royalty rate and discount rate for the trade name intangible asset and projected revenue growth rates, customer attrition rate, profit margins and discount rate for the customer relationships intangible asset. Evaluating the reasonableness of the projected revenue growth rates and profit margins involved considering the past performance of the acquired business, as well as economic and industry forecasts. Evaluating the customer attrition rate involved considering the past performance of the acquired business. The royalty rate and discount rate were evaluated by considering the royalty rates and cost of capital of comparable businesses and other industry factors. Professionals with specialized skill and knowledge were used to assist in the evaluation of the valuation methods and the royalty rate and discount rate significant assumptions.

/s/ PricewaterhouseCoopers LLP
Detroit, Michigan
February 17, 2022

We have served as the Company's auditor since 1960.

KELLY SERVICES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS

	<u>2021</u>	<u>2020</u>	<u>2019</u>
	(In millions of dollars except per share items)		
Revenue from services	\$ 4,909.7	\$ 4,516.0	\$ 5,355.6
Cost of services	<u>3,990.5</u>	<u>3,688.4</u>	<u>4,387.2</u>
Gross profit	919.2	827.6	968.4
Selling, general and administrative expenses	870.6	805.6	883.1
Goodwill impairment charge	—	147.7	—
Gain on sale of assets	—	(32.1)	(12.3)
Asset impairment charge	—	—	15.8
Earnings (loss) from operations	48.6	(93.6)	81.8
Gain (loss) on investment in Persol Holdings	121.8	(16.6)	35.8
Gain on insurance settlement	19.0	—	—
Other income (expense), net	<u>(3.6)</u>	<u>3.4</u>	<u>(1.2)</u>
Earnings (loss) before taxes and equity in net earnings (loss) of affiliate	185.8	(106.8)	116.4
Income tax expense (benefit)	<u>35.1</u>	<u>(34.0)</u>	<u>0.4</u>
Net earnings before equity in net earnings (loss) of affiliate	150.7	(72.8)	116.0
Equity in net earnings (loss) of affiliate	<u>5.4</u>	<u>0.8</u>	<u>(3.6)</u>
Net earnings (loss)	<u><u>\$ 156.1</u></u>	<u><u>\$ (72.0)</u></u>	<u><u>\$ 112.4</u></u>
Basic earnings (loss) per share	\$ 3.93	\$ (1.83)	\$ 2.85
Diluted earnings (loss) per share	\$ 3.91	\$ (1.83)	\$ 2.84
Average shares outstanding (millions):			
Basic	39.4	39.3	39.1
Diluted	39.5	39.3	39.2

See accompanying Notes to Consolidated Financial Statements.

KELLY SERVICES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	2021	2020	2019
(In millions of dollars)			
Net earnings (loss)	\$ 156.1	\$ (72.0)	\$ 112.4
Other comprehensive income (loss), net of tax:			
Foreign currency translation adjustments, net of tax expense of \$0.1 million, tax expense of \$0.2 million and tax benefit of \$0.1 million, respectively	(24.2)	13.9	2.5
Less: Reclassification adjustments included in net earnings	—	(1.5)	—
Foreign currency translation adjustments	(24.2)	12.4	2.5
Pension liability adjustments, net of tax expense of \$0.2 million, tax benefit of \$0.1 million and tax benefit of \$0.3 million, respectively	0.5	(0.9)	(1.3)
Less: Reclassification adjustments included in net earnings	0.2	0.1	0.1
Pension liability adjustments	0.7	(0.8)	(1.2)
Other comprehensive income (loss), net of tax	(23.5)	11.6	1.3
Comprehensive income (loss)	\$ 132.6	\$ (60.4)	\$ 113.7

See accompanying Notes to Consolidated Financial Statements.

KELLY SERVICES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	2021	2020
(In millions of dollars)		
Assets		
Current Assets		
Cash and equivalents	\$ 112.7	\$ 223.0
Trade accounts receivable, less allowances of \$12.6 million and \$13.3 million, respectively	1,423.2	1,265.2
Prepaid expenses and other current assets	52.8	61.4
Total current assets	1,588.7	1,549.6
Noncurrent Assets		
Property and equipment:		
Property and equipment	205.1	222.3
Accumulated depreciation	(169.8)	(181.3)
Net property and equipment	35.3	41.0
Operating lease right-of-use assets	75.8	83.2
Deferred taxes	302.8	282.0
Goodwill, net	114.8	3.5
Investment in Persol Holdings	264.3	164.2
Investment in equity affiliate	123.4	118.5
Other assets	389.1	319.9
Total noncurrent assets	1,305.5	1,012.3
Total Assets	\$ 2,894.2	\$ 2,561.9

See accompanying Notes to Consolidated Financial Statements.

KELLY SERVICES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	2021	2020
(In millions of dollars)		
Liabilities and Stockholders' Equity		
Current Liabilities		
Short-term borrowings	\$ —	\$ 0.3
Accounts payable and accrued liabilities	687.2	536.8
Operating lease liabilities	17.5	19.6
Accrued payroll and related taxes	318.4	293.0
Accrued workers' compensation and other claims	20.8	22.7
Income and other taxes	51.3	53.2
Total current liabilities	1,095.2	925.6
Noncurrent Liabilities		
Operating lease liabilities	61.4	67.5
Accrued payroll and related taxes	57.6	58.5
Accrued workers' compensation and other claims	37.0	42.2
Accrued retirement benefits	220.0	205.8
Other long-term liabilities	86.8	59.3
Total noncurrent liabilities	462.8	433.3
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; 36.7 million shares issued at 2021 and 2020	36.7	36.7
Class B common stock, 10.0 million shares authorized; 3.4 million shares issued at 2021 and 2020	3.4	3.4
Treasury stock, at cost		
Class A common stock, 0.7 million shares at 2021 and 0.8 million at 2020	(14.5)	(16.5)
Class B common stock	(0.6)	(0.6)
Paid-in capital	23.9	21.3
Earnings invested in the business	1,315.0	1,162.9
Accumulated other comprehensive income (loss)	(27.7)	(4.2)
Total stockholders' equity	1,336.2	1,203.0
Total Liabilities and Stockholders' Equity	\$ 2,894.2	\$ 2,561.9

See accompanying Notes to Consolidated Financial Statements.

KELLY SERVICES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	2021	2020	2019
	(In millions of dollars)		
Capital Stock			
Class A common stock			
Balance at beginning of year	\$ 36.7	\$ 36.6	\$ 36.6
Conversions from Class B	—	0.1	—
Balance at end of year	<u>36.7</u>	<u>36.7</u>	<u>36.6</u>
Class B common stock			
Balance at beginning of year	3.4	3.5	3.5
Conversions to Class A	—	(0.1)	—
Balance at end of year	<u>3.4</u>	<u>3.4</u>	<u>3.5</u>
Treasury Stock			
Class A common stock			
Balance at beginning of year	(16.5)	(20.3)	(25.4)
Net issuance of stock awards	2.0	3.8	5.1
Balance at end of year	<u>(14.5)</u>	<u>(16.5)</u>	<u>(20.3)</u>
Class B common stock			
Balance at beginning of year	(0.6)	(0.6)	(0.6)
Net issuance of stock awards	—	—	—
Balance at end of year	<u>(0.6)</u>	<u>(0.6)</u>	<u>(0.6)</u>
Paid-in Capital			
Balance at beginning of year	21.3	22.5	24.4
Net issuance of stock awards	2.6	(1.2)	(1.9)
Balance at end of year	<u>23.9</u>	<u>21.3</u>	<u>22.5</u>
Earnings Invested in the Business			
Balance at beginning of year	1,162.9	1,238.6	1,138.1
Cumulative-effect adjustment from adoption of ASU 2016-13, Credit Losses	—	(0.7)	—
Net earnings (loss)	156.1	(72.0)	112.4
Dividends	(4.0)	(3.0)	(11.9)
Balance at end of year	<u>1,315.0</u>	<u>1,162.9</u>	<u>1,238.6</u>
Accumulated Other Comprehensive Income (Loss)			
Balance at beginning of year	(4.2)	(15.8)	(17.1)
Other comprehensive income (loss), net of tax	(23.5)	11.6	1.3
Balance at end of year	<u>(27.7)</u>	<u>(4.2)</u>	<u>(15.8)</u>
Stockholders' Equity at end of year	<u>\$ 1,336.2</u>	<u>\$ 1,203.0</u>	<u>\$ 1,264.5</u>

See accompanying Notes to Consolidated Financial Statements.

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

	2021	2020	2019
	(In millions of dollars)		
Cash flows from operating activities:			
Net earnings (loss)	\$ 156.1	\$ (72.0)	\$ 112.4
Adjustments to reconcile net earnings to net cash from operating activities:			
Goodwill impairment charge	—	147.7	—
Deferred income taxes	21.6	(57.1)	(18.3)
Depreciation and amortization	29.8	24.2	31.6
Operating lease asset amortization	21.2	21.1	22.3
Provision for credit losses and sales allowances	1.6	12.8	4.1
Stock-based compensation	5.1	3.9	5.6
(Gain) loss on investment in Persol Holdings	(121.8)	16.6	(35.8)
Gain on insurance settlement	(19.0)	—	—
Gain on sale of assets	—	(32.1)	(12.3)
Asset impairment charge	—	—	15.8
Equity in net (earnings) loss of PersolKelly Pte. Ltd.	(5.4)	(0.8)	3.6
Other, net	6.0	1.4	(0.4)
Changes in operating assets and liabilities, net of acquisitions	(10.2)	120.3	(26.4)
Net cash from operating activities	<u>85.0</u>	<u>186.0</u>	<u>102.2</u>
Cash flows from investing activities:			
Capital expenditures	(11.2)	(15.5)	(20.0)
Proceeds from sale of assets	—	55.5	13.8
Acquisition of companies, net of cash received	(213.0)	(39.2)	(86.4)
Proceeds from company-owned life insurance	12.2	2.3	3.0
Proceeds from insurance settlement	19.0	—	—
Proceeds from sale of Brazil, net of cash disposed	—	1.2	—
Proceeds (payments) related to loans to equity affiliate	5.9	5.6	(4.4)
Proceeds from (investment in) equity securities	5.0	(0.2)	(1.0)
Other investing activities	1.4	0.1	0.7
Net cash (used in) from investing activities	<u>(180.7)</u>	<u>9.8</u>	<u>(94.3)</u>
Cash flows from financing activities:			
Net change in short-term borrowings	(0.2)	(1.7)	(0.3)
Financing lease payments	(1.5)	(2.0)	(0.7)
Dividend payments	(4.0)	(3.0)	(11.9)
Payments of tax withholding for stock awards	(0.6)	(1.2)	(2.5)
Contingent consideration payments	(1.6)	—	—
Other financing activities	(0.2)	(0.2)	(0.7)
Net cash used in financing activities	<u>(8.1)</u>	<u>(8.1)</u>	<u>(16.1)</u>
Effect of exchange rates on cash, cash equivalents and restricted cash	<u>(4.8)</u>	<u>9.4</u>	<u>(0.9)</u>
Net change in cash, cash equivalents and restricted cash	(108.6)	197.1	(9.1)
Cash, cash equivalents and restricted cash at beginning of year	228.1	31.0	40.1
Cash, cash equivalents and restricted cash at end of year⁽¹⁾	<u>\$ 119.5</u>	<u>\$ 228.1</u>	<u>\$ 31.0</u>

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

⁽¹⁾ The following table provides a reconciliation of cash, cash equivalents and restricted cash to the amounts reported in our consolidated balance sheet:

	2021	2020	2019
(In millions of dollars)			
Reconciliation of cash, cash equivalents and restricted cash:			
Current assets:			
Cash and equivalents	\$ 112.7	\$ 223.0	\$ 25.8
Restricted cash included in prepaid expenses and other current assets	0.2	—	0.2
Noncurrent assets:			
Restricted cash included in other assets	6.6	5.1	5.0
Cash, cash equivalents and restricted cash at end of year	\$ 119.5	\$ 228.1	\$ 31.0

See accompanying Notes to Consolidated Financial Statements.

KELLY SERVICES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Nature of Operations Kelly Services, Inc. is a specialty talent and workforce solutions provider operating throughout the world.

Fiscal Year The Company's fiscal year ends on the Sunday nearest to December 31. The three most recent years ended on January 2, 2022 (2021, which contained 52 weeks), January 3, 2021 (2020, which contained 53 weeks) and December 29, 2019 (2019, which contained 52 weeks). Period costs included in selling, general and administrative ("SG&A") expenses are recorded on a calendar-year basis. The Company's operations in Brazil were accounted for on a one-month lag, until the Company sold the Brazil operations in the third quarter of 2020. The Company's equity method investment in PersolKelly Pte. Ltd. is accounted for on a one-quarter lag (see Investment in PersolKelly Pte. Ltd. footnote). Any material transactions in the intervening period are disclosed or accounted for in the current reporting period.

Principles of Consolidation The consolidated financial statements include the accounts and operations of the Company and its wholly owned subsidiaries. All intercompany accounts and transactions have been eliminated. Certain prior period amounts have been reclassified to conform to the current presentation.

Investment in Persol Holdings The Company's investment in Persol Holdings, as further described in the Investment in Persol Holdings footnote, is carried at fair value with the changes in fair value recognized in net earnings. The fair value of the investment is based on the quoted market price.

Investment in PersolKelly Pte. Ltd. The Company has a 49% ownership interest in its equity affiliate, PersolKelly Pte. Ltd., which is accounted for under the equity method. The operating results of the equity affiliate are recorded on a one-quarter lag and included in equity in net earnings (loss) of affiliate in the consolidated statements of earnings.

Foreign Currency Translation All of the Company's international subsidiaries use their local currency as their functional currency, which is the currency in which they transact the majority of their activities. Revenue and expense accounts of foreign subsidiaries are translated to U.S. dollars at average exchange rates, while assets and liabilities are translated to U.S. dollars at year-end exchange rates. Resulting translation adjustments, net of tax, where applicable, are reported as accumulated foreign currency translation adjustments in stockholders' equity and are recorded as a component of accumulated other comprehensive income (loss).

Revenue Recognition Revenues are recognized when control of the promised services is transferred to our customers, in an amount that reflects the consideration we expect to be entitled to in exchange for those services. Our revenues are recorded net of any sales, value added, or similar taxes collected from our customers. We generate revenue from: the hourly sales of services by our temporary employees to customers ("staffing services" revenue), the recruiting of permanent employees for our customers ("permanent placement" revenue), and through our talent fulfillment and outcome-based activities ("talent solutions" and "outcome-based services" revenue).

We record revenues from sales of services and the related direct costs in accordance with the accounting guidance on reporting revenue gross as a principal versus net as an agent. When Kelly is the principal, we demonstrate control over the service by being the employer of record for the individuals performing the service, by being primarily responsible to our customers and by having a level of discretion in establishing pricing in which the gross amount is recorded as revenues. When Kelly arranges for other contingent labor suppliers and/or service providers to perform services for the customer, we do not control those services before they are transferred, and therefore, the amounts billed to our customers are net of the amounts paid to the secondary suppliers/service providers and the net amount is recorded as revenues.

Staffing Services Revenue

Staffing services contracts are short-term in nature. Billings are generally negotiated and invoiced on a per-hour or per-unit basis as the temporary staffing services are transferred to the customer. Revenue from the majority of our staffing services continues to be recognized over time as the customer simultaneously receives and consumes the services we provide. We have applied the practical expedient to recognize revenue for these services over the term of the agreement in proportion to the amount we have the right to invoice the customer.

KELLY SERVICES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Permanent Placement Revenue

Permanent placement revenue is recorded at the point in time the permanent placement candidate begins full-time employment. On the candidate start date, the customer accepts the candidate and can direct the use of the candidate as well as obtains the significant risk and rewards of the candidate. We consider this the point the control transfers to the customer.

Outcome-Based Services Revenue

Billings are generally negotiated and invoiced on a measure of time (hours, weeks, months) or per-unit basis for our services performed. We continue to recognize revenue from the majority of our outcome-based services over time as the customer simultaneously receives and consumes the services we provide. For the majority of our outcome-based services, we have applied the practical expedient to recognize revenue for these services over the term of the agreement in proportion to the amount we have the right to invoice the customer.

Talent Solutions Revenue

Talent Solution services include: overall program management of our client's contingent workforce, external vendors and/or independent contractors, end-to-end talent acquisition, and payroll outsourcing. Billings are generally negotiated and invoiced as a fee-based commission contingent on the amount of services managed through the program, a monthly management fee, measure of time (hours), or a per-unit basis for our services performed. We continue to recognize revenue for talent solution services over time as the customer simultaneously receives and consumes the services we provide. We have applied the practical expedient to recognize revenue for these services over the term of the agreement in proportion to the amount we have the right to invoice the customer.

Variable Consideration

Certain customers may receive cash-based incentives or credits, which are accounted for as a form of variable consideration. We estimate these amounts based on the expected or likely amount to be provided to customers and reduce revenues recognized to the extent that it is probable that a significant reversal of such adjustment will not occur. Provisions for sales allowances (billing adjustments related to errors, service issues and compromises on billing disputes), based on historical experience, are recognized at the time the related sale is recognized as a reduction in revenue from services.

Payment Terms

Customer payments are typically due within 60 days of invoicing, but may be shorter or longer depending on contract terms. Management does not assess whether a contract has a significant financing component if the expectation at contract inception is that the period between payment by the customer and the transfer of the services to the customer will be less than one year. We do not have any significant financing components or extended payment terms.

Deferred Revenue

Items which are billed to the customer at a point in time, rather than billed over time as the services are delivered to the customer, are assessed for potential revenue deferral. At this time, the balance of the contract liability as well as the amount of revenue recognized in the reporting period that was included in the deferred revenue balance at the beginning of the period is not material.

Deferred Costs

Occasionally, fulfillment costs are incurred after obtaining a contract in order to generate a resource that will be used to provide our services. These costs are considered incremental and recoverable costs to fulfill our contract with the customer. These costs to fulfill a contract are deferred and then amortized on a straight-line basis over a period of benefit that we have determined to be the average length of assignment of the employees. We determined the period of benefit by taking into consideration our customer contracts, attrition rates and other relevant factors. Amortization expense is included in SG&A expenses in the consolidated statements of earnings.

Unsatisfied Performance Obligations

The Company does not disclose the value of unsatisfied performance obligations for (i) contracts with an original expected length of one year or less and (ii) contracts for which we recognize revenue at the amount to which we have the right to invoice for services performed.

Allowance for Credit Losses - Trade Accounts Receivable The Company records an allowance for uncollectible accounts receivable, billed and unbilled, based on historical loss experience, customer payment patterns, current economic trends, and reasonable and supportable forecasts, as applicable. The reserve for sales allowances is also included in the allowance for uncollectible accounts receivable. The Company estimates the current expected credit losses by applying internally developed loss rates to all outstanding receivable balances by aging category. Accounts receivable are written-off against the allowance when they are deemed uncollectible. The Company reviews the adequacy of the allowance for uncollectible accounts

KELLY SERVICES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

receivable on a quarterly basis and, if necessary, increases or decreases the balance by recording a charge or credit to SG&A expenses for the portion of the adjustment relating to uncollectible accounts receivable, and a charge or credit to revenue from services for the portion of the adjustment relating to sales allowances.

We are exposed to credit losses primarily through our sales of workforce solution services to customers. We establish an allowance for estimated credit losses in the current period resulting from the failure of our customers to make required payments on their trade accounts receivable in future periods. We pool such assets by geography and other similar risk characteristics, such as accounts in collection, and apply an aging method to estimate future credit losses utilizing inputs such as historical write-off experience, customer payment patterns, current collection data, and reasonable and supportable forecasts, as applicable. Credit risk with respect to accounts receivable is limited due to short payment terms. The Company also performs ongoing credit evaluations using applicable credit ratings of its customers to help analyze credit risk. We monitor ongoing credit exposure through frequent review of past due accounts (based on the payment terms of the contract) and follow-up with customers, as appropriate. We may employ collection agencies and legal counsel to pursue recovery of defaulted receivables.

Allowance for Credit Losses - Other Financial Assets The Company measures expected credit losses on qualified financial assets that do not result from revenue transactions using a probability of default method by type of financing receivable. The estimate of expected credit losses considers credit ratings, financial data, historical write-off experience, current conditions, and reasonable and supportable forecasts, as applicable, to estimate the risk of loss.

Cost of Services Cost of services are those costs directly associated with the earning of revenue. The primary examples of these types of costs are temporary employee wages, along with other employee related costs, including associated payroll taxes, temporary employee benefits, such as service bonus and holiday pay, and workers' compensation costs. These costs differ fundamentally from SG&A expenses in that they arise specifically from the action of providing our services to customers whereas SG&A costs are incurred regardless of whether or not we place temporary employees with our customers.

Advertising Expenses Advertising expenses, which are expensed as incurred and are included in SG&A expenses, were \$7.5 million in 2021, \$8.1 million in 2020 and \$9.4 million in 2019.

Use of Estimates The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts in the consolidated financial statements and accompanying notes. Estimates are used for, but not limited to, the accounting for the allowance for uncollectible accounts receivable and credit losses, workers' compensation, goodwill and long-lived asset impairment, valuation of acquired intangibles, impairment of equity affiliates, litigation costs and income taxes. Actual results could differ materially from those estimates.

Cash and Equivalents Cash and equivalents are stated at fair value. The Company considers securities with original maturities of three months or less to be cash and equivalents.

Property and Equipment Property and equipment are stated at cost and are depreciated on a straight-line basis over their estimated useful lives. Cost and estimated useful lives of property and equipment by function are as follows:

Category	2021	2020	Life
(In millions of dollars)			
Land	\$ —	\$ —	—
Work in process	0.3	0.4	—
Buildings and improvements	12.9	12.9	15 to 40 years
Computer hardware and software	147.9	152.3	3 to 12 years
Equipment, furniture and fixtures	26.6	34.8	5 years
Leasehold improvements	17.4	21.9	HQ: 15 years
			Branches: Lesser of the lease or 5 years
Total property and equipment	\$ 205.1	\$ 222.3	

The Company capitalizes external costs and internal payroll costs directly incurred in the development of software for internal use as required by the Internal-Use Software Subtopic of the Financial Accounting Standards Board ("FASB") Accounting

KELLY SERVICES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Standards Codification ("ASC"). Work in process represents capitalized costs for internal use software not yet in service. Depreciation expense was \$16.4 million for 2021, \$16.8 million for 2020 and \$25.3 million for 2019.

Cloud Computing Arrangements The Company has cloud computing arrangements that are comprised of internal use software platforms that are accounted for as service contracts. The Company does not have the ability to take possession of the software without significant penalty nor can the Company run the software on its own hardware or contract with another party unrelated to the vendor to host the software. Implementation costs associated with these cloud computing arrangements are capitalized when incurred during the application development phase. Amortization is calculated on a straight-line basis and is a component of SG&A expenses in our consolidated statements of earnings.

Amortization expense was \$2.2 million for 2021 and \$1.0 million for 2020. The related accumulated amortization totaled \$3.2 million in 2021 and \$1.0 million in 2020. Capitalized amounts related to such arrangements are recorded within prepaid and other current assets and non-current other assets in the consolidated balance sheets. As of year-end 2021 and 2020, the Company had \$2.7 million and \$2.9 million, respectively, recorded in prepaid expenses and other current assets in the consolidated balance sheets and \$13.9 million and \$7.2 million, respectively, recorded in non-current other assets in the consolidated balance sheets related to capitalized cloud computing arrangements (see Other Assets footnote).

Leases Right-of-use ("ROU") assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. Since most of the Company's leases do not have an implicit borrowing rate, we use our incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. Our leases may include options allowing us in our sole discretion to extend or terminate the lease, and when it is reasonably certain that we will exercise those options, we will include those periods in our lease term. Variable costs, such as payments for insurance and tax payments, are expensed when the obligation for those payments is incurred.

Goodwill and Other Intangible Assets Goodwill represents the excess of the purchase price over the acquisition date fair value of net assets acquired. Purchased intangible assets are primarily comprised of acquired trade names and customer relationships that are recorded at fair value at the date of acquisition. The fair value of trade name intangibles is determined using the relief-from-royalty method, which relies on the use of estimates and assumptions about projected revenue growth rates, royalty rates and discount rates. The fair value of customer relationship intangibles is determined using the multi-period excess earnings method, which relies on the use of estimates and assumptions about projected revenue growth rates, customer attrition rates, profit margins and discount rates.

Purchased intangible assets with definite lives are amortized over their respective useful lives (from 4 to 15 years) on a straight-line basis.

Impairment of Long-Lived Assets, Intangible Assets, Goodwill, Equity Method Investments and Equity Securities The Company evaluates long-lived assets and intangible assets with definite lives for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. When estimated undiscounted future cash flows will not be sufficient to recover the carrying amount of the asset group, in which the long-lived asset being tested for impairment resides, the asset is written down to its estimated fair value. Assets to be disposed of by sale, if any, are reported at the lower of the carrying amount or estimated fair value less cost to sell.

We test goodwill for impairment annually and whenever events or circumstances make it more likely than not that an impairment may have occurred. Generally accepted accounting principles require that goodwill be tested for impairment at a reporting unit level. For segments with a goodwill balance, we have determined that our reporting units are the same as our operating and reportable segments based on our organizational structure or one level below our operating segments (the component level).

We may first use a qualitative assessment ("step zero test") for the annual impairment test if we have determined that it is more likely than not that the fair value for one or more reporting units is greater than their carrying value. In conducting the qualitative assessment, we assess the totality of relevant events and circumstances that affect the fair value or carrying value of the reporting unit. Such events and circumstances may include macroeconomic conditions, industry and market conditions, cost factors, overall financial performance, entity-specific events and events affecting a reporting unit.

If we elect to forgo the qualitative assessment for a reporting unit, goodwill is tested for impairment by comparing the estimated fair value of a reporting unit to its carrying value ("step one test"). If the estimated fair value of a reporting unit exceeds the carrying value of the net assets assigned to a reporting unit, goodwill is not considered impaired and no further testing is

KELLY SERVICES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

required. If the carrying value of the net assets assigned to a reporting unit exceeds the estimated fair value of a reporting unit, goodwill is deemed impaired and is written down to the extent of the difference.

To derive the estimated fair value of reporting units, we primarily relied on an income approach. Under the income approach, estimated fair value is determined based on estimated future cash flows discounted by an estimated market participant weighted-average cost of capital, which reflects the overall level of inherent risk of the reporting unit being measured. Estimated future cash flows are based on our internal projection model and reflects management's outlook for the reporting unit. Assumptions and estimates about future cash flows and discount rates are complex and often subjective. They can be affected by a variety of factors, including external factors such as industry and economic trends, and internal factors such as changes in our business strategy and our internal forecasts. Our analysis used significant assumptions by reporting unit, including: expected future revenue growth rates, profit margins and discount rate.

We evaluate our equity method investment on a quarterly basis or whenever events or circumstances indicate the carrying amount may be other-than-temporarily impaired. If we conclude that there is an other-than-temporary impairment of our equity method investment, we will adjust our carrying amount of our investment to the adjusted fair value.

We evaluate our equity securities measured under the measurement alternative for indicators of impairment on a quarterly basis and whenever observable price changes occur. The measurement alternative represents cost, less impairment, plus or minus observable price changes. Quarterly, we also confirm the securities still qualify to be measured in accordance with the measurement alternative. The value of the securities will be adjusted for any increases or decreases as a result of an observable price change.

Accounts Payable Included in accounts payable are book overdrafts, which are outstanding checks in excess of funds on deposit. Such amounts totaled \$5.4 million and \$9.3 million at year-end 2021 and 2020, respectively.

Accrued Payroll and Related Taxes Included in current accrued payroll and related taxes are book overdrafts, which are outstanding checks in excess of funds on deposit. Such amounts totaled \$39.1 million and \$11.0 million at year-end 2021 and 2020, respectively. Payroll taxes for temporary employees are recognized proportionately to direct wages for interim periods based on expected full-year amounts. Included in current and noncurrent accrued payroll and related taxes are deferred U.S. payroll tax payments as allowed by COVID-19 economic relief legislation.

Income Taxes The Company accounts for income taxes using the liability method. Under this method, deferred tax assets and liabilities are recognized for the expected tax consequences of temporary differences between the tax bases of assets and liabilities and their reported amounts. Valuation allowances are provided against deferred tax assets when it is more likely than not that some portion or all of the deferred tax asset will not be realized.

The U.S. work opportunity credit is allowed for wages earned by employees in certain targeted groups. The actual amount of creditable wages in a particular period is estimated, since the credit is only available once an employee reaches a minimum employment period and the employee's inclusion in a targeted group is certified by the applicable state. As these events often occur after the period the wages are earned, judgment is required in determining the amount of work opportunity credits accrued for in each period. We evaluate the accrual regularly throughout the year and make adjustments as needed.

Uncertain tax positions that are taken or expected to be taken in a tax return are recognized in the financial statements when it is more likely than not (i.e., a likelihood of more than fifty percent) that the position would be sustained upon examination by tax authorities that have full knowledge of all relevant information. A recognized tax position is then measured at the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement.

Interest and penalties related to income taxes are classified as income tax expense. U.S. taxes on global intangible low-taxed income ("GILTI") are accounted for as incurred.

Stock-Based Compensation The Company may grant restricted stock awards and units (collectively, "restricted stock") and performance awards to key employees associated with the Company's Class A stock. The Company utilizes the market price on the date of grant as the fair value for restricted stock and the market price on the date of grant less the present value of the expected dividends not received during the vesting period for performance awards. The Company also estimates the fair value of performance awards related to relative total shareholder return or awards with a total shareholder return modifier using a Monte Carlo simulation model. The value of awards is recognized as expense, net of forfeitures as they occur, over the requisite service periods in SG&A expense in the Company's consolidated statements of earnings.

Earnings Per Share Restricted stock that entitle their holders to receive nonforfeitable dividends before vesting are considered participating securities and, therefore, are included in the calculation of earnings per share using the two-class method. The

KELLY SERVICES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

two-class method is an earnings allocation formula that determines earnings per share for each class of common stock and participating security according to dividends declared and participation rights in undistributed earnings. Under this method, earnings from continuing operations (or net earnings) is reduced by the amount of dividends declared, and the remaining undistributed earnings is allocated to common stock and participating securities based on the proportion of each class's weighted average shares outstanding to the total weighted average shares outstanding. The calculation of diluted earnings per share includes the effect of potential common shares outstanding in the average weighted shares outstanding.

Workers' Compensation In the U.S., the Company has a combination of insurance and self-insurance contracts under which we effectively bear the first \$1.0 million of risk per single accident. The Company establishes accruals for workers' compensation claims utilizing actuarial methods to estimate the undiscounted future cash payments that will be made to satisfy the claims, including an allowance for incurred-but-not-reported claims. The Company retains an independent consulting actuary to establish loss development factors, based on historical claims experience as well as industry experience, and applies those factors to current claims information to derive an estimate of the ultimate claims liability.

In preparing the estimates, the consulting actuary considers a number of assumptions and multiple generally accepted actuarial methods in the course of preparing the loss forecast for claims. When claims exceed the applicable loss limit or self-insured retention and realization of recovery of the claim from existing insurance policies is deemed probable, the Company records a receivable from the insurance company for the excess amount. The receivable is included in prepaid expenses and other current assets and other assets in the consolidated balance sheet at year end. The Company evaluates the accrual quarterly throughout the year and makes adjustments as needed, and the ultimate cost of these claims may be greater than or less than the established accrual.

KELLY SERVICES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. Revenue

Revenue Disaggregated by Service Type

Kelly has five operating segments: Professional & Industrial (“P&I”), Science, Engineering & Technology (“SET”), Education, Outsourcing & Consulting Group (“Outsourcing & Consulting,” “OCG”) and International. Other than OCG, each segment delivers talent through staffing services, permanent placement or outcome-based services. Our OCG segment delivers talent solutions including managed service provider (“MSP”), payroll process outsourcing (“PPO”), recruitment process outsourcing (“RPO”), and talent advisory services. International also delivers RPO talent solutions within its local markets.

The following table presents our segment revenues disaggregated by service type (in millions of dollars):

	December Year to Date		
	2021	2020	2019
Professional & Industrial			
Staffing services	\$ 1,402.4	\$ 1,423.3	\$ 1,838.6
Permanent placement	24.7	9.9	17.9
Outcome-based services	410.3	425.2	356.9
Total Professional & Industrial	1,837.4	1,858.4	2,213.4
Science, Engineering & Technology			
Staffing services	813.2	751.8	848.2
Permanent placement	24.4	12.5	15.7
Outcome-based services	319.2	254.8	267.9
Total Science, Engineering & Technology	1,156.8	1,019.1	1,131.8
Education			
Staffing services	411.5	286.4	449.8
Permanent placement	5.0	0.5	0.9
Total Education	416.5	286.9	450.7
Outsourcing & Consulting			
Talent solutions	432.1	363.5	377.7
Total Outsourcing & Consulting	432.1	363.5	\$ 377.7
International			
Staffing services	1,032.9	971.8	1,156.8
Permanent placement	21.3	16.8	25.7
Talent solutions	13.6	—	—
Total International	1,067.8	988.6	1,182.5
Total Intersegment	(0.9)	(0.5)	(0.5)
Total Revenue from Services	\$ 4,909.7	\$ 4,516.0	\$ 5,355.6

KELLY SERVICES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Revenue Disaggregated by Geography

Our operations are subject to different economic and regulatory environments depending on geographic location. Our P&I and Education segments operate in the Americas region, our SET segment operates in the Americas and Europe regions, and OCG operates in the Americas, Europe and Asia-Pacific regions. The International segment includes Europe and our Brazil and Mexico operations, which are included in the Americas region. Our Brazil operations were sold in August 2020 (see Acquisitions and Disposition footnote).

The below table presents our revenues disaggregated by geography (in millions of dollars):

	December Year to Date		
	2021	2020	2019
Americas			
United States	\$ 3,513.4	\$ 3,260.2	\$ 3,892.5
Canada	155.0	122.5	136.1
Puerto Rico	102.1	77.0	74.6
Mexico	92.7	114.4	123.6
Brazil	—	17.0	34.1
Total Americas Region	3,863.2	3,591.1	4,260.9
Europe			
France	223.1	198.2	248.6
Switzerland	222.2	200.4	200.7
Portugal	158.2	141.7	179.8
Russia	132.2	118.5	117.6
Italy	74.2	58.2	75.9
United Kingdom	68.3	73.7	103.1
Germany	34.0	30.1	41.6
Ireland	26.8	19.9	33.1
Other	68.0	54.6	67.5
Total Europe Region	1,007.0	895.3	1,067.9
Total Asia-Pacific Region	39.5	29.6	26.8
Total Kelly Services, Inc.	\$ 4,909.7	\$ 4,516.0	\$ 5,355.6

KELLY SERVICES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

The below table presents our SET, OCG and International segment revenues disaggregated by geographic region (in millions of dollars):

	December Year to Date		
	2021	2020	2019
Science, Engineering & Technology			
Americas	\$ 1,149.3	\$ 1,013.7	\$ 1,122.5
Europe	7.5	5.4	9.3
Total Science, Engineering & Technology	\$ 1,156.8	\$ 1,019.1	\$ 1,131.8
Outsourcing & Consulting			
Americas	\$ 369.4	\$ 302.2	\$ 318.1
Europe	23.2	31.7	32.8
Asia-Pacific	39.5	29.6	26.8
Total Outsourcing & Consulting	\$ 432.1	\$ 363.5	\$ 377.7
International			
Americas	\$ 91.5	\$ 130.4	\$ 156.7
Europe	976.3	858.2	1,025.8
Total International	\$ 1,067.8	\$ 988.6	\$ 1,182.5

Deferred Costs

Deferred fulfillment costs, which are included in prepaid expenses and other current assets in the consolidated balance sheet, were \$1.3 million as of year-end 2021 and \$4.1 million as of 2020. Amortization expense for the deferred costs was \$20.5 million for 2021, \$21.5 million for 2020 and \$14.6 million for 2019. As of year-end 2021, there was no impairment loss in relation to the costs capitalized.

3. Credit Losses

On December 30, 2019, we adopted ASC Topic 326 using the modified retrospective method for all financial assets measured at amortized cost and off-balance-sheet credit exposures, as applicable.

The rollforward of our allowance for credit losses related to trade accounts receivable, which is recorded in trade accounts receivable, less allowance in the consolidated balance sheet, is as follows (in millions of dollars):

	December Year to Date	
	2021	2020
Allowance for credit losses:		
Beginning balance	\$ 9.8	\$ 9.7
Impact of adopting ASC 326	—	0.3
Current period provision	1.3	2.0
Currency exchange effects	(0.5)	0.1
Write-offs	(1.2)	(2.3)
Ending balance	\$ 9.4	\$ 9.8

Write-offs are presented net of recoveries, which were not material for December year to date 2021 and 2020.

We were engaged in litigation with a customer over a disputed accounts receivable balance for certain services rendered more than five years ago, which was recorded as a long-term receivable in other assets in the consolidated balance sheet. In September 2020, a ruling was issued in favor of the customer, which we appealed. Upon receiving the ruling, we increased our

KELLY SERVICES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

allowance for credit losses by \$9.2 million in the third quarter of 2020 to reflect the likelihood of collection, which was recorded in other assets in the consolidated balance sheet. In September 2021, a final ruling in the case was entered in favor of the customer. As a result, in the third quarter of 2021, we wrote off the entire receivable balance with this customer, including \$0.6 million not previously reserved. The unreserved portion was recorded in SG&A expenses in the consolidated statements of earnings.

The rollforward of our allowance for credit losses related to the long-term customer receivable, which was recorded in other assets in the consolidated balance sheet, is as follows (in millions of dollars):

	December Year to Date	
	2021	2020
Allowance for credit losses:		
Beginning balance	\$ 10.9	\$ 1.0
Impact of adopting ASC 326	—	0.7
Current period provision	0.6	9.5
Currency exchange effects	—	(0.3)
Write-offs	(11.5)	—
Ending Balance	<u>\$ —</u>	<u>\$ 10.9</u>

No other allowances related to other receivables were material for December year to date 2021 and 2020.

4. Acquisitions and Disposition

Acquisitions

In the second quarter of 2021, the Company acquired Softworld, Inc. ("Softworld"), as detailed below. In the fourth quarter of 2020, Kelly Services USA, LLC ("KSU"), a wholly owned subsidiary of the Company, acquired Greenwood/Asher & Associates, LLC ("Greenwood/Asher"), as detailed below. In the first quarter of 2020, KSU acquired Insight Workforce Solutions LLC and its affiliate, Insight EDU LLC (collectively, "Insight"), as detailed below. In the first quarter of 2019, the Company acquired NextGen Global Resources LLC ("NextGen") and Global Technology Associates, LLC ("GTA"), as detailed below. We have accounted for these acquisitions under Accounting Standards Update ("ASU") 2017-01, Business Combinations.

Softworld

On April 5, 2021, the Company acquired 100% of the shares of Softworld for a purchase price of \$215.0 million. Softworld is a leading technology staffing and workforce solutions firm that serves clients across several end-markets, including financial services, life sciences, aerospace, defense, insurance, retail and IT consulting. This acquisition is intended to expand our capabilities, scale and solution set in our technology specialty. Under terms of the purchase agreement, the purchase price was adjusted for cash held by Softworld at the closing date and estimated working capital adjustments resulting in the Company paying cash of \$220.4 million. Total consideration includes \$2.6 million of additional consideration that is payable to the seller in 2022. In the third quarter of 2021, the Company received cash for a post-close working capital adjustment of \$6.0 million. The total consideration is as follows (in millions of dollars):

Cash consideration paid	\$ 220.4
Additional consideration payable	2.6
Net working capital adjustment	(6.0)
Total consideration	<u>\$ 217.0</u>

The purchase price allocation for this acquisition is preliminary and could change.

KELLY SERVICES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed as of the date of the acquisition (in millions of dollars):

Cash	\$	1.4
Trade accounts receivable		21.6
Prepaid expenses and other current assets		3.3
Net property and equipment		1.2
Operating lease right-of-use assets		7.6
Non-current deferred tax		5.9
Goodwill		111.3
Intangibles		79.4
Other assets, noncurrent		1.2
Accounts payable and accrued liabilities, current		(2.5)
Operating lease liabilities, current		(1.3)
Accrued payroll and related taxes, current		(4.6)
Income and other taxes, current		(1.2)
Operating lease liabilities, noncurrent		(6.3)
Total consideration, including working capital adjustments	\$	<u>217.0</u>

The fair value of the acquired receivables represents the contractual value. Included in the assets purchased in the Softworld acquisition was \$79.4 million of intangible assets, made up of \$54.9 million in customer relationships, \$23.1 million associated with Softworld's trade name, and \$1.4 million for non-compete agreements. The customer relationships and trade name will be amortized over 10 years with no residual value and the non-compete agreements will be amortized over five years with no residual value. Goodwill generated from the acquisition was primarily attributable to expanding market potential and the expected revenue synergies and was assigned to the SET operating segment (see Goodwill footnote). All of the goodwill is expected to be deductible for tax purposes.

During the third quarter of 2021, the Company filed a claim, in excess of policy limits, under a representations and warranties insurance policy purchased by the Company in connection with the acquisition of Softworld. The claim asserted damages arising out of alleged breaches by the sellers of Softworld of certain representations and warranties contained in the purchase agreement relating to periods prior to the closing of the acquisition. In the fourth quarter of 2021, the Company reached a settlement with the insurer for \$19.0 million and received the payment. The payment is recorded entirely in gain on insurance settlement in the consolidated statements of earnings and included within cash flows from investing activities in the consolidated statements of cash flows.

Softworld's results of operations are included in the SET segment in 2021. For the year ended 2021, our consolidated revenues and net earnings included \$98.0 million and \$4.7 million from Softworld, respectively. The date of the acquisition was the first day of our second quarter, therefore, our first quarter results do not include any revenue or earnings from Softworld.

Pro Forma Information

The following unaudited pro forma information presents a summary of the operating results as if the Softworld acquisition had been completed as of December 30, 2019 (in millions of dollars):

	December Year to Date	
	2021	2020
Pro forma revenues	\$ 4,940.9	\$ 4,626.5
Pro forma net earnings (loss)	\$ 157.7	\$ (70.8)

The pro forma results for 2021 and 2020 reflect amortization of the intangible assets of \$2.0 million per quarter, a non-recurring adjustment to reclassify \$1.3 million of transaction expenses from 2021 to 2020, deferred compensation from 2020 and applicable taxes. The unaudited pro forma information presented has been prepared for comparative purposes only and is not

KELLY SERVICES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

necessarily indicative of the results of operations as they would have been had the acquisitions occurred on the assumed date, nor is it necessarily an indication of future operating results.

Greenwood/Asher

On November 18, 2020, KSU acquired 100% of the membership interests of Greenwood/Asher, a premier specialty education executive search firm in the U.S., for a purchase price of \$3.5 million. Under terms of the purchase agreement, the purchase price was adjusted for cash held by Greenwood/Asher at the closing date and estimated working capital adjustments resulting in the Company paying cash of \$5.2 million. The purchase price of the acquisition also includes contingent consideration with an estimated fair value of \$2.1 million related to an earnout payment in the event certain conditions are met per the terms of the agreement. The initial fair value of the earnout was established using a Black Scholes model and the liability is recorded in accounts payable and accrued liabilities and other non-current liabilities in the consolidated balance sheet (see Fair Value Measurements footnote). The earnout is revalued quarterly, resulting in a net increase of \$2.5 million to the liability in 2021. The earnout is expected to be paid in 2022 and 2023 after each earn-out year pursuant to the terms of the purchase agreement. As of third quarter-end 2021, the purchase price allocation for this acquisition was final.

This acquisition is intended to expand our revenue opportunities in the education industry in the U.S. Greenwood/Asher's results of operations are included in the Education segment. Pro forma results of operations for this acquisition have not been presented as they are not material to the consolidated statements of earnings.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed as of the date of the acquisition (in millions of dollars):

Cash	\$	2.4
Trade accounts receivable		0.4
Property and equipment		0.2
Deferred taxes		0.2
Goodwill		3.5
Intangibles		1.9
Other noncurrent assets		0.3
Current liabilities		(1.2)
Noncurrent liabilities		(0.4)
Assets acquired net of liabilities assumed	\$	<u>7.3</u>

The fair value of the acquired receivables represents the contractual value. Included in the assets purchased in the Greenwood/Asher acquisition was approximately \$1.9 million of intangible assets, made up of \$1.3 million of customer relationships and \$0.6 million associated with Greenwood/Asher's trade name. The customer relationships will be amortized over 10 years with no residual value and the trade name will be amortized over 10 years with no residual value. Goodwill generated from the acquisition was primarily attributable to the expected synergies from combining operations and expanding market potential, and was assigned to the Education reporting unit (see Goodwill footnote). All of the goodwill is expected to be deductible for tax purposes.

Insight

On January 14, 2020, KSU acquired 100% of the membership interests of Insight, an educational staffing company in the U.S., for a purchase price of \$34.5 million. Under terms of the purchase agreement, the purchase price was adjusted for cash held by Insight at the closing date and estimated working capital adjustments resulting in the Company paying cash of \$38.1 million. The purchase price of the acquisition also includes contingent consideration with an estimated fair value of \$1.6 million related to an earnout payment in the event certain conditions are met per the terms of the agreement. The initial fair value of the earnout was established using a Monte Carlo simulation and the liability is recorded in accounts payable and accrued liabilities in the consolidated balance sheet (see Fair Value Measurements footnote). Subsequently, the earnout was revalued, resulting in a net increase to the liability of \$0.1 million in 2020 and a further increase of \$0.1 million in the second quarter of 2021. In the third quarter of 2021, the Company paid the final earnout amount of \$1.8 million in cash. In our consolidated statements of cash flows, \$1.6 million of the payment is reflected as a financing activity representing the initial fair value of the earnout, with the remainder flowing through operating activities. There is no remaining liability for the earnout as of year-end 2021. In the

KELLY SERVICES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

second quarter of 2020, the Company paid a working capital adjustment of \$0.1 million. As of year-end 2020, the purchase price allocation was final.

This acquisition is intended to increase our market share in the education staffing market in the U.S. Insight's results of operations are included in the Education segment. Pro forma and actual results of operations for this acquisition have not been presented as it is not material to the consolidated statements of earnings. The following table summarizes the estimated fair values of the assets acquired and liabilities assumed as of the date of the acquisition (in millions of dollars):

Cash	\$	1.8
Trade accounts receivable		9.6
Other current assets		0.2
Property and equipment		0.2
Goodwill		19.9
Intangibles		10.6
Other noncurrent assets		0.2
Current liabilities		(2.6)
Noncurrent liabilities		(0.1)
Assets acquired net of liabilities assumed	\$	<u>39.8</u>

The fair value of the acquired receivables represents the contractual value. Included in the assets purchased in the Insight acquisition was approximately \$10.6 million of intangible assets, made up entirely of customer relationships. The customer relationships will be amortized over 10 years with no residual value. Goodwill generated from the acquisition was primarily attributable to the expected synergies from combining operations and expanding market potential, and was assigned to the Americas Staffing reporting unit (see Goodwill and Intangible Assets footnote). All of the goodwill is expected to be deductible for tax purposes.

NextGen Global Resources

On January 2, 2019, the Company acquired 100% of the membership interests of NextGen, a leading provider of telecommunications staffing services, for a purchase price of \$51.0 million. Under terms of the purchase agreement, the purchase price was adjusted for cash held by NextGen at the closing date and estimated working capital adjustments resulting in the Company paying cash of \$54.3 million. Due to the date of the acquisition, the December year to date 2019 actual results represent the December year to date 2019 pro forma results. Our consolidated revenues and net earnings for the year ended 2019 included \$78.3 million and \$4.5 million, respectively, from NextGen. This acquisition is intended to increase our presence and market share in the telecommunications industry within the engineering staffing solutions market. NextGen's results of operations are included in the Science, Engineering & Technology segment.

Global Technology Associates

On January 2, 2019, in a separate transaction, the Company acquired 100% of the membership interests of GTA, a leading provider of engineering, technology and business consulting solutions in the telecommunications industry, for a purchase price of \$34.0 million. Under terms of the purchase agreement, the purchase price was adjusted for cash held by GTA at the closing date and estimated working capital adjustments resulting in the Company paying cash of \$35.7 million. Due to the date of the acquisition, the December year to date 2019 actual results represent the December year to date 2019 pro forma results. Our consolidated revenues and net earnings for the year ended 2019 included \$62.8 million and \$4.5 million, respectively, from GTA. This acquisition is intended to increase our presence and market share in the telecommunications industry within the engineering outcome-based solutions market. GTA's results of operations are included in Science, Engineering & Technology segment.

KELLY SERVICES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Disposition

On August 18, 2020, the Company sold its Brazil operations for a purchase price of \$1.4 million. The Company received cash proceeds of \$1.2 million, net of cash disposed. As a part of the transaction, the Company has agreed to indemnify the buyer for losses and costs incurred in connection with certain events or occurrences initiated within a six-year period after closing. The aggregate losses for which the Company will provide indemnification shall not exceed \$8.8 million. Accordingly, the Company recorded an indemnification liability of \$2.5 million in other long-term liabilities in the consolidated balance sheet, which represented the fair value of the liability at the time of disposition and completely offset the gain on the sale. The indemnification liability is revalued on a quarterly basis (see Fair Value Measurements footnote).

5. Investment in Persol Holdings

The Company has a yen-denominated investment through the Company's subsidiary, Kelly Services Japan, Inc., in the common stock of Persol Holdings Co., Ltd. ("Persol Holdings"), the 100% owner of Persol Asia Pacific Pte. Ltd., the Company's joint venture partner in PersolKelly Pte. Ltd. ("the JV"). As our investment is a noncontrolling interest in Persol Holdings, this investment is recorded at fair value based on the quoted market price of Persol Holdings stock on the Tokyo Stock Exchange as of the period end (see Fair Value Measurements footnote). A gain on the investment of \$121.8 million, a loss on the investment of \$16.6 million, and a gain on the investment of \$35.8 million for the years ended 2021, 2020 and 2019, respectively, was recorded entirely in gain (loss) on investment in Persol Holdings in the consolidated statements of earnings.

Refer to Subsequent Event footnote for a description of transactions with Persol Holdings.

6. Investment in PersolKelly Pte. Ltd.

The Company has a 49% ownership interest in the JV (see Investment in Persol Holdings footnote above), a staffing services business operating in ten geographies in the Asia-Pacific region. The operating results of the Company's interest in the JV are accounted for on a one-quarter lag under the equity method and are reported in equity in net earnings (loss) of affiliate in the consolidated statements of earnings, which amounted to earnings of \$5.4 million in 2021, earnings of \$0.8 million in 2020 and a loss of \$3.6 million in 2019. This investment is evaluated for indicators of impairment on a quarterly basis or whenever events or circumstances indicate the carrying amount may be other-than-temporarily impaired. If we conclude that there is an other-than-temporary impairment of this equity method investment, we will adjust the carrying amount of the investment to the current fair value.

The investment in equity affiliate on the Company's consolidated balance sheet totaled \$123.4 million as of year-end 2021 and \$118.5 million as of year-end 2020. The Company made loans in prior years, proportionate to its 49% ownership, to the JV to fund working capital requirements as a result of their sustained revenue growth. In the fourth quarter of 2020, the JV repaid \$5.6 million of the outstanding loan balance and in the second quarter of 2021, the JV repaid the remaining \$5.8 million of the loan balance. As of year-end 2021, there is no outstanding loan balance or accrued interest receivable relating to the loan. The net amount due to the JV, a related party, was not material as of year-end 2021 and the net amount due from the JV was \$5.6 million as of year-end 2020. Accrued interest receivable, which is included in prepaid expenses and other current assets in the consolidated balance sheet, was not material at year-end 2021 or year-end 2020. The JV is a supplier to certain MSP programs in the region and the amounts for services provided to the Company, which are included in accounts payable and accrued liabilities in the consolidated balance sheet, are not material.

Prior to receiving full repayment of the loans, the expected credit losses were estimated over the contractual term of the loans. The required allowance was based on current and projected financial information from the JV, market-specific information and other relevant data available to the Company, as applicable. The allowance was not material at year-end 2020.

The Company had accrued interest receivable from our loan to the JV. If applicable, we write off the uncollectible accrued interest receivable balance related to our loan to the JV within the same quarter the interest is determined to be uncollectible, which is considered timely. As such, an allowance for credit losses was not deemed necessary. Any write offs, if necessary, are recorded by reversing interest income.

On April 1, 2020, 100% of the shares of Kelly Services Australia Pty Ltd and Kelly Services (New Zealand) Limited, both subsidiaries of the JV, were sold to an affiliate of Persol Holdings. The JV received proceeds of \$17.5 million upon the sale and the Company received a direct royalty payment of \$0.7 million.

Refer to Subsequent Event footnote for a description of transactions with Persol Holdings.

KELLY SERVICES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

7. Fair Value Measurements

Trade accounts receivable, short-term borrowings, accounts payable, accrued liabilities and accrued payroll and related taxes approximate their fair values due to the short-term maturities of these assets and liabilities.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The following tables present assets and liabilities measured at fair value on a recurring basis as of year-end 2021 and 2020 in the consolidated balance sheet by fair value hierarchy level, as described below.

Level 1 measurements consist of unadjusted quoted prices in active markets for identical assets or liabilities. Level 2 measurements include quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability. Level 3 measurements include significant unobservable inputs.

Description	Fair Value Measurements on a Recurring Basis As of Year-End 2021			
	Total	Level 1	Level 2	Level 3
	(In millions of dollars)			
Money market funds	\$ 96.3	\$ 96.3	\$ —	\$ —
Investment in Persol Holdings	264.3	264.3	—	—
Total assets at fair value	\$ 360.6	\$ 360.6	\$ —	\$ —
Brazil indemnification	\$ (2.4)	\$ —	\$ —	\$ (2.4)
Greenwood/Asher earnout	(4.6)	—	—	(4.6)
Insight earnout	—	—	—	—
Total liabilities at fair value	\$ (7.0)	\$ —	\$ —	\$ (7.0)

Description	Fair Value Measurements on a Recurring Basis As of Year-End 2020			
	Total	Level 1	Level 2	Level 3
	(In millions of dollars)			
Money market funds	\$ 120.3	\$ 120.3	\$ —	\$ —
Investment in Persol Holdings	164.2	164.2	—	—
Total assets at fair value	\$ 284.5	\$ 284.5	\$ —	\$ —
Brazil indemnification	\$ (2.6)	\$ —	\$ —	\$ (2.6)
Greenwood/Asher earnout	(2.1)	—	—	(2.1)
Insight earnout	(1.7)	—	—	(1.7)
Total liabilities at fair value	\$ (6.4)	\$ —	\$ —	\$ (6.4)

Money market funds represent investments in money market funds that hold government securities, of which \$6.5 million as of year-end 2021 and \$5.1 million as of year-end 2020, are restricted as to use and are included in other assets in the consolidated balance sheet. The money market funds that are restricted as to use account for the majority of our restricted cash balances and represent cash balances that are required to be maintained to fund disability claims in California. The remaining money market funds as of year-end 2021 and 2020 are included in cash and equivalents in the consolidated balance sheet. The valuations of money market funds were based on quoted market prices of those accounts as of the respective period end.

The valuation of the investment in Persol Holdings is based on the quoted market price of Persol Holdings stock on the Tokyo Stock Exchange as of the period end, and the related changes in fair value are recorded in the consolidated statements of

KELLY SERVICES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

earnings (see Investment in Persol Holdings footnote). The cost of this yen-denominated investment, which fluctuates based on foreign exchange rates, was \$18.0 million at year-end 2021 and \$20.1 million at year-end 2020.

As of year-end 2021 and year-end 2020, the Company had an indemnification liability of \$2.4 million and \$2.6 million in other long-term liabilities on the consolidated balance sheet related to the sale of the Brazil operations (see Acquisitions and Disposition footnote). The valuation of the indemnification liability was established using a discounted cash flow methodology based on probability weighted-average cash flows discounted by weighted-average cost of capital. The valuation, which represents the fair value, is considered a level 3 liability, and is being measured on a recurring basis. During year to date 2021, the Company recognized a decrease of \$0.2 million, to the indemnification liability related to exchange rate fluctuations in other income (expense), net in the consolidated statements of earnings. During year to date 2020, the Company recognized \$2.6 million, including foreign currency fluctuations, in expenses related to the indemnification liability in other income (expense), net in the consolidated statements of earnings.

The Company recorded an earnout liability relating to the 2020 acquisition of Greenwood/Asher, totaling \$4.6 million at year-end 2021 with \$2.3 million in accounts payable and accrued liabilities and \$2.3 million in other long-term liabilities in the consolidated balance sheet and \$2.1 million at year-end 2020 in other long-term liabilities in the consolidated balance sheet (see Acquisitions and Dispositions footnote). The initial valuation of the earnout liability was established using a Black Scholes model and represents the fair value and is considered a level 3 liability. During year to date 2021, the Company recorded an increase of \$2.5 million to the earnout liability in SG&A expenses in the consolidated statements of earnings.

The Company recorded an earnout liability relating to the 2020 acquisition of Insight, totaling \$1.7 million as of year-end 2020 in accounts payable and accrued liabilities in the consolidated balance sheet (see Acquisitions and Dispositions footnote). The valuation of the earnout liability was initially established using a Monte Carlo simulation and represented the fair value and is considered a level 3 liability. During year to date 2020, the Company recognized \$0.1 million of expenses related to the earnout liability within SG&A expenses in the consolidated statements of earnings. During the third quarter of 2021, the Company paid the earnout totaling \$1.8 million.

Equity Investments Without Readily Determinable Fair Value

Prior to April 2021, the Company had a minority investment in Business Talent Group, LLC, which was included in other assets in the consolidated balance sheet. This investment was measured using the measurement alternative for equity investments without a readily determinable fair value. The measurement alternative represents cost, less impairment, plus or minus observable price changes. In the second quarter of 2021, BTG entered into a merger agreement which resulted in all of the Company's shares of BTG being automatically canceled upon approval of the merger and resulted in the receipt of \$5.0 million in cash, which is equal to the carrying value and purchase price of the BTG investment.

Prior to March 2021, the Company had a minority investment in Kenzie Academy Inc., which was included in other assets in the consolidated balance sheet. The investment was also measured using the measurement alternative for equity investments without a readily determinable fair value as described above. On March 8, 2021, Kenzie entered into a transaction to sell its assets. As of the date of the sale and year-end 2020, the investment had a carrying value of \$1.4 million, representing total cost plus observable price changes to date. The asset was written down as a result of the sale and the loss of \$1.4 million was recorded in other income (expense), net in the year to date consolidated statements of earnings.

Assets Measured at Fair Value on a Nonrecurring Basis

In the fourth quarter of 2021, we performed a step one quantitative goodwill impairment test for the Softworld reporting unit. The estimated fair value of the reporting unit tested exceeded its related carrying value. As a result of the quantitative assessment, we determined it was more likely than not that the fair value of the Softworld reporting unit was more than its carrying value. Additionally, we performed a qualitative analysis for the Education reporting unit to determine whether a further quantitative analysis was necessary. As a result of the qualitative assessment, we determined it was more likely than not that the fair value of the Education reporting unit was more than its carrying value and a further quantitative assessment was not necessary (see Goodwill and Intangible Assets footnote).

Due to the negative market reaction to the COVID-19 crisis, including declines in our common stock prices, management determined that a triggering event occurred during the first quarter of 2020. We therefore performed an interim step one quantitative impairment test for both of our previous reporting units with goodwill. As a result of this quantitative assessment, we determined that the estimated fair value of the reporting units no longer exceeded the carrying value, and recorded a goodwill impairment charge of \$147.7 million in the first quarter of 2020.

KELLY SERVICES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

8. Restructuring

2021 Actions

In the fourth quarter of 2021, the Company initiated a series of cost management actions designed to increase operational efficiencies within enterprise functions that provide centralized support to our operating units. The actions are designed to align expenses with current expectations for top-line growth.

Restructuring costs incurred in 2021 totaled \$4.0 million and are recorded entirely in SG&A expenses in the consolidated statements of earnings, as detailed below (in millions of dollars):

	Severance Costs
International	\$ 1.2
Corporate	2.8
Total	\$ 4.0

2020 Actions

In the first quarter of 2020, the Company took restructuring actions to align costs with expected revenues, position the organization to adopt a new operating model later in 2020 and to align the U.S. field office facilities footprint with a more technology-enabled service delivery methodology.

In the fourth quarter of 2020, the Company took several restructuring actions with a goal to provide sustainable cost reductions as a result of the continuing COVID-19 demand disruption. The restructuring actions included involuntary terminations, a Voluntary Separation Plan ("VSP") and a Voluntary Retirement Plan ("VRP"). Employees were included in the VSP based on the functions that were being reorganized, and not by age or years of service. For the VRP, eligible employees were selected based on their age and years of service.

Restructuring costs incurred in 2020 totaled \$12.8 million and were recorded entirely in SG&A expenses in the consolidated statements of earnings, as detailed below (in millions of dollars):

	Lease Termination Costs	Severance Costs	Total
Professional & Industrial	\$ 3.5	\$ 2.5	\$ 6.0
Science, Engineering & Technology	0.5	0.1	0.6
Education	0.1	0.9	1.0
Outsourcing & Consulting	—	0.3	0.3
International	0.7	0.7	1.4
Corporate	—	3.5	3.5
Total	\$ 4.8	\$ 8.0	\$ 12.8

2019 Actions

Restructuring costs incurred in 2019 totaled \$5.5 million. Professional & Industrial incurred \$5.1 million and Science, Engineering & Technology incurred \$0.4 million. The restructuring costs, which were all severance related, were recorded in SG&A expenses in the consolidated statements of earnings.

KELLY SERVICES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Accrual Summary

A summary of our global restructuring balance sheet accrual, included in accrued payroll and related taxes and accounts payable and accrued liabilities in the consolidated balance sheet, is detailed below (in millions of dollars):

Balance as of year-end 2019	\$ 0.3
Additions charged to Professional & Industrial	6.0
Additions charged to Science, Engineering & Technology	0.6
Additions charged to Education	1.0
Additions charged to Outsourcing & Consulting	0.3
Additions charged to International	1.4
Additions charged to Corporate	3.5
Reductions for lease termination costs related to fixed assets	(0.6)
Reductions for cash payments related to all restructuring activities	(9.0)
Balance as of year-end 2020	3.5
Additions charged to International	1.2
Additions charged to Corporate	2.8
Reductions for cash payments related to all restructuring activities	(4.6)
Balance as of year-end 2021	<u>\$ 2.9</u>

The remaining balance of \$2.9 million as of year-end 2021 primarily represents severance costs and the majority is expected to be paid by the second quarter-end 2022. No material adjustments are expected to be recorded.

9. Goodwill and Intangible Assets

The goodwill resulting from the acquisition of Softworld during the second quarter of 2021 (see Acquisitions and Disposition footnote) was allocated to the SET reportable segment and Softworld was deemed to be a separate reporting unit. The goodwill resulting from the acquisition of Greenwood/Asher during the fourth quarter of 2020 (see Acquisitions and Disposition footnote) was allocated to the Education reportable segment, which was deemed to be a reporting unit.

The Company performs its annual goodwill impairment testing in the fourth quarter each year and regularly assesses whenever events or circumstances make it more likely than not that an impairment may have occurred. In performing the step one quantitative test and consistent with our prior practice, we determined the fair value of the reporting unit using the income approach. Under the income approach, estimated fair value was determined based on estimated future cash flows discounted by an estimated market participant weighted-average cost of capital, which reflects the overall level of inherent risk of the reporting unit being measured. Estimated future cash flows were based on our internal projection model and reflects management's outlook for the reporting unit. Assumptions and estimates about future cash flows and discount rates are complex and often subjective. They can be affected by a variety of factors, including external factors such as industry and economic trends, and internal factors such as changes in our business strategy and our internal forecasts. Our analysis used significant assumptions for the reporting unit, including: expected future revenue growth rates, profit margins and discount rate. The step zero test includes making judgments and assessments to determine whether any events or circumstances have occurred that makes it more likely than not that the fair value of a reporting unit is less than its carrying amount.

In the fourth quarter of 2021, we performed a step one quantitative test for the Softworld reporting unit. As a result of the quantitative assessment, we determined that the estimated fair value of the Softworld reporting unit was more than its carrying value. Additionally, we performed a step zero qualitative analysis for the Education reporting unit to determine whether a further quantitative analysis was necessary and concluded that a step one quantitative analysis was not necessary. As a result of the quantitative and qualitative assessments, the Company determined goodwill was not impaired as of year-end 2021.

KELLY SERVICES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

During the first quarter of 2020, negative market reaction to the COVID-19 crisis, including declines in our common stock price, caused our market capitalization to decline significantly compared to the fourth quarter of 2019, causing a triggering event. Therefore, we performed an interim step one quantitative test for our previous reporting units with goodwill, Americas Staffing and GTS, and determined that the estimated fair values of both reporting units no longer exceeded their carrying values. Based on the result of our interim goodwill impairment test as of the first quarter of 2020, we recorded a goodwill impairment charge of \$147.7 million to write off goodwill for both reporting units. A portion of the goodwill balance was deductible for tax purposes.

During the fourth quarter of 2020, the Company performed a step zero qualitative analysis for the Education reporting unit to determine whether a further quantitative analysis was necessary. The step zero test included making judgments and assessments to determine whether any events or circumstances have occurred that makes it more likely than not that the fair value of a reporting unit is less than its carrying amount. As a result of this qualitative assessment, a step one quantitative analysis was not deemed necessary, and the Company determined goodwill was not impaired as of year-end 2020.

The changes in the carrying amount of goodwill for the fiscal years 2021 and 2020 are included in the tables below. See Acquisitions and Disposition footnote for a description of the additions to goodwill.

	As of Year-End 2020	Additions to Goodwill	Impairment Adjustments	As of Year-End 2021
(In millions of dollars)				
Science, Engineering & Technology	\$ —	\$ 111.3	\$ —	\$ 111.3
Education	3.5	—	—	3.5
Total	\$ 3.5	\$ 111.3	\$ —	\$ 114.8

	As of Year-End 2019	Additions to Goodwill	Impairment Adjustments	As of Year-End 2020
(In millions of dollars)				
Americas Staffing	\$ 58.5	\$ 19.9	\$ (78.4)	\$ —
Global Talent Solutions	69.3	—	(69.3)	—
Education	—	3.5	—	3.5
Total	\$ 127.8	\$ 23.4	\$ (147.7)	\$ 3.5

Intangible assets, excluding fully-amortized intangibles, are included within other assets on our consolidated balance sheet and consist of the following (in millions of dollars):

	Useful lives	2021			2020		
		Gross Carrying amount	Less: Accumulated Amortization	Net	Gross Carrying amount	Less: Accumulated Amortization	Net
Customer relationships	10 years	\$ 106.9	\$ 22.2	\$ 84.7	\$ 52.0	\$ 13.1	\$ 38.9
Candidate database	4 years	1.5	1.5	—	1.5	1.3	0.2
Trade names	10-15 years	35.8	4.2	31.6	12.7	1.6	11.1
Non-compete agreements	5 years	3.1	1.2	1.9	1.7	0.6	1.1
Trademarks	10 years	4.8	1.0	3.8	4.8	0.5	4.3
Total		\$ 152.1	\$ 30.1	\$ 122.0	\$ 72.7	\$ 17.1	\$ 55.6

The year-over-year change in total intangible assets was due to the intangibles purchased in connection with the Softworld acquisition (see Acquisitions and Disposition footnote). Intangible amortization expense, which is included in SG&A expense in the consolidated statements of earnings, was \$13.0 million, \$6.8 million and \$5.4 million in 2021, 2020 and 2019, respectively. The amortization expense will be \$14.6 million in 2022 and 2023, \$14.3 million in 2024 and 2025 and \$14.1 million in 2026.

KELLY SERVICES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

10. Other Assets

Included in other assets are the following:

	2021	2020
	(In millions of dollars)	
Life insurance cash surrender value (see Retirement Benefits footnote)	\$ 232.9	\$ 220.3
Intangibles, net of accumulated amortization of \$39.1 million in 2021 and \$26.7 million in 2020 ⁽¹⁾	122.0	55.6
Long-term hosted software ⁽²⁾	13.9	7.2
Long-term customer receivable ⁽³⁾	—	2.4
Noncurrent restricted cash	6.6	5.1
Workers' compensation and other claims receivable ⁽⁴⁾	5.5	6.1
Other ⁽⁵⁾	8.2	23.2
Other assets	\$ 389.1	\$ 319.9

⁽¹⁾ See Goodwill and Intangible Assets footnote for a detailed listing of intangible assets and related accumulated amortization.

⁽²⁾ Long-term hosted software represents cloud computing arrangements that are comprised of internal-use software platforms that are accounted for as service contracts (see Summary of Significant Accounting Policies footnote).

⁽³⁾ The long-term customer receivable was written off in 2021 (see Credit Losses footnote).

⁽⁴⁾ Workers' compensation and other claims receivable represents receivables from the insurance company for U.S. workers' compensation and automobile liability claims in excess of the applicable loss limits.

⁽⁵⁾ The investment in BTG of \$5.0 million was cancelled in 2021 (see Fair Value Measurements footnote).

11. Leases

The Company has operating and financing leases for field offices and various equipment. Our leases have remaining lease terms of one year to 10 years. We determine if an arrangement is a lease at inception.

The components of lease expense were as follows (in millions of dollars):

Description	Statements of Earnings Location	December Year to Date		
		2021	2020	2019
Operating:				
Operating lease cost	Selling, general and administrative expenses	\$ 25.8	\$ 27.0	\$ 26.7
Short-term lease cost	Selling, general and administrative expenses	2.6	3.6	3.5
Variable lease cost	Selling, general and administrative expenses	5.7	6.8	6.7
Financing:				
Amortization of ROU assets	Selling, general and administrative expenses	1.4	1.3	0.4
Interest on lease liabilities	Other income (expense), net	0.2	0.4	0.2
Total lease cost		\$ 35.7	\$ 39.1	\$ 37.5

KELLY SERVICES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Supplemental consolidated balance sheet information related to leases was as follows (in millions of dollars):

Description	Balance Sheet Location	As of Year-End 2021	As of Year-End 2020
ROU Assets:			
Operating	Operating lease right-of-use assets	\$ 75.8	\$ 83.2
Financing	Property and equipment	6.3	7.0
Total lease assets		\$ 82.1	\$ 90.2
ROU Liabilities:			
Operating - current	Operating lease liabilities, current	\$ 17.5	\$ 19.6
Financing - current	Accounts payable and accrued liabilities	1.9	1.8
Operating - noncurrent	Operating lease liabilities, noncurrent	61.4	67.5
Financing - noncurrent	Other long-term liabilities	1.2	2.8
Total lease liabilities		\$ 82.0	\$ 91.7

Weighted average remaining lease terms and discount rates were as follows:

	December Year to Date	
	2021	2020
Weighted average remaining lease term (years):		
Operating leases	8.1	8.1
Financing leases	2.1	3.3
Weighted average discount rate:		
Operating leases	4.9 %	5.1 %
Financing leases	5.3 %	5.4 %

Other information related to leases was as follows (in millions of dollars):

	December Year to Date		
	2021	2020	2019
Cash paid for amounts included in the measurement of lease liabilities:			
Operating cash flows from operating leases	\$ 26.1	\$ 25.4	\$ 26.0
Financing cash flows from financing leases	1.5	2.0	0.7
ROU assets obtained in exchange for new lease obligations:			
Operating leases	\$ 14.9	\$ 43.3	\$ 9.2
Financing leases	—	3.1	4.1

KELLY SERVICES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Maturities of lease liabilities as of year-end 2021 were as follows (in millions of dollars):

	Operating Leases	Financing Leases
2022	\$ 21.0	\$ 2.4
2023	14.7	0.9
2024	11.1	—
2025	8.3	—
2026	6.3	—
Thereafter	34.9	—
Total future lease payments	96.3	3.3
Less: Imputed interest	17.4	0.2
Total	\$ 78.9	\$ 3.1

During the first quarter of 2020, the Company sold its main headquarters building and entered into a leaseback agreement, which is accounted for as an operating lease (see Sale of Assets footnote). As of first quarter-end 2020, we recognized \$37.6 million of ROU assets within operating lease right-of-use assets, \$1.2 million of current lease liabilities within operating lease liabilities, current and \$36.1 million of noncurrent lease liabilities within operating lease liabilities, noncurrent in the consolidated balance sheet, with a discount rate of 4.8% over a 15-year lease term related to this lease.

12. Debt

Short-Term Debt

The Company has a \$200.0 million, five-year revolving credit facility (the "Facility") with a termination date of December 5, 2024. The Facility allows for borrowings in various currencies and is available to be used to fund working capital, acquisitions and general corporate needs. The Facility is secured by certain assets of the Company, excluding U.S. trade accounts receivable.

At year-end 2021 and 2020, there were no borrowings under the Facility and a remaining borrowing capacity of \$200.0 million. To maintain availability of the funds, we pay a facility fee on the full amount of the Facility, regardless of usage. The facility fee varies based on the Company's leverage ratio as defined in the agreement. The Facility, which contains a cross-default clause that could result in termination if defaults occur under our other loan agreements, had a facility fee of 15.0 basis points at year-end 2021 and 2020. The Facility's financial covenants and restrictions are described below, all of which were met at year-end 2021:

- We must maintain a certain minimum ratio of earnings before interest, taxes, depreciation, amortization ("EBITDA") and certain cash and non-cash charges that are non-recurring in nature to interest expense ("Interest Coverage Ratio") as of the end of any fiscal quarter.
- We must maintain a certain maximum ratio of total indebtedness to the sum of net worth and total indebtedness at all times.
- Dividends, stock buybacks and similar transactions are limited to certain maximum amounts.
- We must adhere to other operating restrictions relating to the conduct of business, such as certain limitations on asset sales and the type and scope of investments.

On December 30, 2021, the Company and Kelly Receivables Funding, LLC, a wholly owned bankruptcy remote special purpose subsidiary of the Company (the "Receivables Entity"), amended the Receivables Purchase Agreement related to its \$150.0 million, three-year, securitization facility (the "Securitization Facility"). The amendment changed certain of the terms and conditions, including that the Securitization Facility will bear interest at a rate based on the applicable Bloomberg Short-Term Bank Yield Index ("BSBY"), and extended the maturity date to December 5, 2024.

Under the Securitization Facility, the Company will sell certain trade receivables and related rights ("Receivables"), on a revolving basis, to the Receivables Entity. The Receivables Entity may from time to time sell an undivided variable percentage

KELLY SERVICES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

ownership interest in the Receivables. The Securitization Facility, which contains a cross-default clause that could result in termination if defaults occur under our other loan agreements, also allows for the issuance of standby letters of credit (“SBLC”) and contains certain restrictions based on the performance of the Receivables.

As of year-end 2021 and 2020, the Securitization Facility had no short-term borrowings, SBLCs of \$53.0 million related to workers’ compensation at a rate of 0.90% and a remaining capacity of \$97.0 million. As of year-end 2021, the rate for short-term borrowings includes the applicable BSBY rate and a utilization rate on the amount of our borrowings. As of year-end 2020, the rate for short-term borrowings included the LIBOR interest rate and a utilization rate on the amount of our borrowings. The rates for the SBLCs represent a utilization rate on the outstanding amount of the SBLCs. In addition, we pay a commitment fee of 40 basis points on the unused capacity.

The Receivables Entity’s sole business consists of the purchase or acceptance through capital contributions of trade accounts receivable and related rights from the Company. As described above, the Receivables Entity may retransfer these receivables or grant a security interest in those receivables under the terms and conditions of the Receivables Purchase Agreement. The Receivables Entity is a separate legal entity with its own creditors who would be entitled, if it were ever liquidated, to be satisfied out of its assets prior to any assets or value in the Receivables Entity becoming available to its equity holders, the Company. The assets of the Receivables Entity are not available to pay creditors of the Company or any of its other subsidiaries, until the creditors of the Receivables Entity have been satisfied. The assets and liabilities of the Receivables Entity are included in the consolidated financial statements of the Company.

The Company had total unsecured, uncommitted short-term local credit facilities of \$8.1 million as of year-end 2021. There were no borrowings under these lines at year-end 2021, compared to \$0.3 million at year-end 2020. The weighted average interest rate for these borrowings, which was related to Malaysia, was 4.13% at year-end 2020.

13. Retirement Benefits

U.S. Defined Contribution Plans

The Company provides a qualified defined contribution plan covering substantially all U.S.-based full-time employees, except officers and certain other employees. The plan offers a savings feature with Company matching contributions. Assets of this plan are held by an independent trustee for the sole benefit of participating employees.

A nonqualified plan is provided for officers and certain other employees. This plan includes provisions for salary deferrals and Company matching contributions.

In addition to the plans above, the Company also provides a qualified plan and a nonqualified plan to certain U.S.-based temporary employees.

The liability for the nonqualified plans was \$237.2 million and \$216.8 million as of year-end 2021 and 2020, respectively, and is included in current accrued payroll and related taxes and noncurrent accrued retirement benefits in the consolidated balance sheet. The cost of participants’ earnings or loss on this liability, which were included in SG&A expenses in the consolidated statements of earnings, were earnings of \$27.0 million in 2021, earnings of \$23.0 million in 2020 and earnings of \$32.5 million in 2019.

In connection with the administration of these plans, the Company has purchased company-owned variable universal life insurance policies insuring the lives of certain current and former officers and key employees. The cash surrender value of these policies, which is based primarily on investments in mutual funds and can only be used for payment of the Company’s obligations related to the nonqualified deferred compensation plan noted above, was \$232.9 million and \$220.3 million at year-end 2021 and 2020, respectively. The cash surrender value of these insurance policies is included in other assets in the consolidated balance sheet. During 2021, 2020 and 2019, proceeds of \$12.2 million, \$2.3 million and \$3.0 million, respectively, were received in connection with these policies. Tax-free earnings or loss on these assets, which were included in SG&A expenses in the consolidated statements of earnings and which offset the related earnings or loss on the liability, were earnings of \$26.0 million in 2021, earnings of \$23.1 million in 2020 and earnings of \$32.2 million in 2019.

The net expense for retirement benefits for the qualified and nonqualified plans, including Company-matching contributions for full-time employees, totaled \$10.0 million in 2021, \$3.2 million in 2020 and \$9.1 million in 2019, and is included in total SG&A expenses in the consolidated statements of earnings. The 2020 expense reflects the temporary suspension of Company-matching contributions from April to December, 2020 to mitigate the impact of the COVID-19 pandemic on the results of our

KELLY SERVICES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

operations. The expense related to retirement plan contributions for temporary employees, which is included in cost of services, is reimbursed by our customers.

International Defined Benefit Plans

The Company has several defined benefit pension plans in locations outside of the United States. The total projected benefit obligation, assets and unfunded liability for these plans as of year-end 2021 were \$16.0 million, \$10.9 million and \$5.1 million, respectively. The total projected benefit obligation, assets and unfunded liability for these plans as of year-end 2020 were \$17.6 million, \$11.3 million and \$6.3 million, respectively. Total pension expense for these plans was \$0.5 million in 2021, \$0.6 million in 2020 and \$0.3 million in 2019. Pension contributions and the amount of accumulated other comprehensive income expected to be recognized in 2022 are not significant.

14. Stockholders' Equity

Common Stock

The authorized capital stock of the Company is 100,000,000 shares of Class A common stock and 10,000,000 shares of Class B common stock. Class A shares have no voting rights and are not convertible. Class B shares have voting rights and are convertible by the holder into Class A shares on a share-for-share basis at any time. Both classes of stock have identical rights in the event of liquidation. The voting rights of Class B shares are perpetual and Class B shares are not subject to transfer restrictions or mandatory conversion obligations under the Company's certificate of incorporation or bylaws.

Class A shares and Class B shares are both entitled to receive dividends, subject to the limitation that no cash dividend on the Class B shares may be declared unless the board of directors declares an equal or larger cash dividend on the Class A shares. As a result, a cash dividend may be declared on the Class A shares without declaring a cash dividend on the Class B shares.

Accumulated Other Comprehensive Income (Loss)

The changes in accumulated other comprehensive income (loss) by component, net of tax, during 2021, 2020 and 2019 are included in the table below. Amounts in parentheses indicate debits.

	2021	2020	2019
	(In millions of dollars)		
Foreign currency translation adjustments:			
Beginning balance	\$ (0.8)	\$ (13.2)	\$ (15.7)
Other comprehensive income (loss) before classifications	(24.2)	13.9	2.5
Amounts reclassified from accumulated other comprehensive income	— ⁽¹⁾	(1.5) ⁽¹⁾	— ⁽¹⁾
Net current-period other comprehensive income (loss)	(24.2)	12.4	2.5
Ending balance	(25.0)	(0.8)	(13.2)
Pension liability adjustments:			
Beginning balance	(3.4)	(2.6)	(1.4)
Other comprehensive income (loss) before classifications	0.5	(0.9)	(1.3)
Amounts reclassified from accumulated other comprehensive income	0.2 ⁽²⁾	0.1 ⁽²⁾	0.1 ⁽²⁾
Net current-period other comprehensive income (loss)	0.7	(0.8)	(1.2)
Ending balance	(2.7)	(3.4)	(2.6)
Total accumulated other comprehensive income (loss)	\$ (27.7)	\$ (4.2)	\$ (15.8)

⁽¹⁾ Amount was recorded in the other income (expense), net line item in the consolidated statements of earnings.

⁽²⁾ Amount was recorded in the SG&A expenses line item in the consolidated statements of earnings.

KELLY SERVICES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

15. Earnings (Loss) Per Share

The reconciliation of basic earnings (loss) per share on common stock for the year-end 2021, 2020 and 2019 follows (in millions of dollars except per share data).

	2021	2020	2019
Net earnings (loss)	\$ 156.1	\$ (72.0)	\$ 112.4
Less: Earnings allocated to participating securities	(1.4)	—	(1.1)
Net earnings (loss) available to common shareholders	<u>\$ 154.7</u>	<u>\$ (72.0)</u>	<u>\$ 111.3</u>
Average common shares outstanding (millions):			
Basic	39.4	39.3	39.1
Dilutive share awards	0.1	—	0.1
Diluted	<u>39.5</u>	<u>39.3</u>	<u>39.2</u>
Basic earnings (loss) per share	\$ 3.93	\$ (1.83)	\$ 2.85
Diluted earnings (loss) per share	\$ 3.91	\$ (1.83)	\$ 2.84

Potentially dilutive shares outstanding for 2021 are primarily related to deferred common stock related to non-employee directors deferred compensation plan. Potentially dilutive shares outstanding for 2019 are primarily related to performance shares (see Stock-Based Compensation footnote for a description of performance shares).

We have presented earnings per share for our two classes of common stock on a combined basis. This presentation is consistent with the earnings per share computations that result for each class of common stock utilizing the two-class method as described in ASC Topic 260, "Earnings Per Share". The two-class method is an earnings allocation formula which determines earnings per share for each class of common stock according to the dividends declared (or accumulated) and participation rights in the undistributed earnings.

In applying the two class method, we have determined that the undistributed earnings should be allocated to each class on a pro rata basis after consideration of all of the participation rights of the Class B shares (including voting and conversion rights) and our history of paying dividends equally to each class of common stock on a per share basis.

The Company's Restated Certificate of Incorporation allows the board of directors to declare a cash dividend to Class A shares without declaring equal dividends to the Class B shares. Class B shares' voting and conversion rights, however, effectively allow the Class B shares to participate in dividends equally with Class A shares on a per share basis.

The Class B shares are the only shares with voting rights. The Class B shareholders are therefore able to exercise voting control with respect to all matters requiring stockholder approval, including the election of or removal of directors. The board of directors has historically declared and the Company historically has paid equal per share dividends on both the Class A and Class B shares. Each class has participated equally in all dividends declared since 1987.

In addition, Class B shares are convertible, at the option of the holder, into Class A shares on a one-for-one basis. As a result, Class B shares can participate equally in any dividends declared on the Class A shares by exercising their conversion rights.

Dividends paid per share for Class A and Class B common stock were \$0.10 for 2021, \$0.075 for 2020 and \$0.30 for 2019.

KELLY SERVICES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

16. Stock-Based Compensation

Under the Equity Incentive Plan, amended and restated February 15, 2017 and approved by the stockholders of the Company on May 10, 2017 (the “EIP”), the Company may grant restricted stock and performance awards associated with the Company’s Class A stock to key employees. For shares granted prior to May 10, 2017, the EIP provides that the maximum number of shares available for grants is 15% of the outstanding Class A Stock, adjusted for EIP activity over the preceding five years. For shares granted after May 10, 2017, the amended EIP provides that the maximum number of shares available for grants is 4.7 million. The Company has no plans to issue additional shares under the provision that was in effect prior to May 10, 2017. Under the provision that was in effect for shares granted after May 10, 2017, shares available for future grants at year-end 2021 were 2.9 million. The Company issues shares out of treasury stock to satisfy stock-based awards. The Company presently has no intent to repurchase additional shares for the purpose of satisfying stock-based awards.

The Company recognized stock-based compensation cost of \$5.1 million in 2021, \$3.9 million in 2020 and \$5.6 million in 2019, as well as related tax benefits of \$0.8 million in 2021, \$0.4 million in 2020 and \$1.3 million in 2019.

Restricted Stock

Restricted stock, which typically vests pro-rata over four years, is issued to certain key employees and is subject to forfeiture until the end of an established restriction period. The Company utilizes the market price of its Class A stock on the date of grant as the fair value of restricted stock and expenses the fair value on a straight-line basis over the vesting period.

A summary of the status of nonvested restricted stock under the EIP as of year-end 2021 and changes during this period is presented as follows below (in thousands of shares except per share data):

	Restricted Stock	Weighted Average Grant Date Fair Value
Nonvested at year-end 2020	281	\$ 22.74
Granted	265	20.91
Vested	(97)	23.36
Forfeited	(46)	24.05
Nonvested at year-end 2021	<u>403</u>	<u>\$ 21.24</u>

As of year-end 2021, unrecognized compensation cost related to unvested restricted stock totaled \$5.9 million. The weighted average period over which this cost is expected to be recognized is approximately 1.9 years. The weighted average grant date fair value per share of restricted stock granted during 2021, 2020 and 2019 was \$20.91, \$15.97 and \$24.76, respectively. The total fair value of restricted stock, which vested during 2021, 2020 and 2019, was \$2.0 million, \$2.4 million and \$3.3 million, respectively.

Performance Shares

During 2021, 2020 and 2019, the Company granted performance awards associated with the Company’s Class A stock to certain senior officers. The payment of performance awards, which will be satisfied with the issuance of shares out of treasury stock, is contingent upon the achievement of specific performance goals unique to each grant (“financial measure performance awards”) over a stated period of time or may be earned based on the Company’s total shareholder return (“TSR”) relative to the S&P SmallCap 600 Index (“TSR performance awards”). Additionally, the Company also granted single financial measure performance shares to certain senior officers, which will be satisfied with the issuance of shares out of treasury stock, and is contingent upon the achievement of one performance measure with a one-year performance period. These single financial measure performance shares vest over four years and earn dividends, which are not paid until the awards vest.

On May 18, 2021, the Compensation Committee approved a modification to the performance goals of our 2021 and 2020 financial measure performance awards to increase the goals to reflect the results of the acquisition of Softworld. We accounted for this change as a Type I modification under ASC 718 as the expectation of the achievement of certain performance conditions related to these awards remained a probable-to-probable post-modification. The Company did not record any incremental stock compensation expense since the fair value of the modified awards immediately after the modification was not greater than the fair value of the original awards immediately before the modification. All service-based vesting conditions were unaffected by the modification.

KELLY SERVICES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

2021 Grants

The annual 2021 performance share grant ("2021 grant") consisted of 180,000 financial measure performance awards, which are contingent upon the achievement of specific revenue growth and EBITDA margin performance goals. The maximum number of performance shares that may be earned is 200% of the target shares originally granted. These awards have three one-year performance periods: 2021, 2022 and 2023, with the payout for each performance period based on separate financial measure goals that are set in February of each of the three performance periods.

For the 2021 and 2022 performance periods, half of the shares earned in each respective performance period will vest after achievement of the respective performance goals for the year and approval of the financial results by the Compensation Committee, in early 2022 and 2023, respectively, if not forfeited by the recipient. The remaining half of the shares earned for the 2021 and 2022 performance periods will vest in early 2024, based on continuous employment. For the 2023 performance period, any shares earned will vest after achievement of the 2023 performance goals for the year and approval of the financial results by the Compensation Committee in early 2024, if not forfeited by the recipient. No dividends are paid on these performance shares.

Based upon the level of achievement of specific financial performance goals for the 2021 annual grant, participants had the ability to receive up to 200% of the target number of shares originally granted. On February 15, 2022, the Compensation Committee approved the actual performance achievement for the 2021 performance period of the annual 2021 grant. Actual performance resulted in participants achieving 30% of target. Half of the shares earned for the 2021 performance period will vest in 2022 after the approval of the Compensation Committee and the remaining half of the shares earned will vest in early 2024, if not forfeited by the recipient.

In December 2021, the Compensation Committee approved an additional retention-based grant of 308,000 financial measure performance awards to certain senior officers and may be earned upon achievement of three financial goals over a performance period beginning in fiscal 2022 through third quarter of 2024, with each goal having a unique projected achievement date. Each goal can be earned independent of the other two goals. A goal is considered earned once it is achieved and maintained for two consecutive quarters at any point during the performance period. Any goal not achieved within one year of projected achievement date, will result in that portion of the award being forfeited. Any shares earned during the performance period will cliff-vest three years after achievement of the respective performance goals and approval of the financial results by the Compensation Committee. These awards earn dividends once the goal is achieved, but are not paid until the awards vest.

The 2021 financial measure performance awards have a weighted average grant date fair value of \$18.06, which was determined by the market price on the date of grant less the present value of the expected dividends not received during the vesting period. The total nonvested shares related to 2021 financial measure performance awards at year-end 2021 is 477,000.

2020 Grant

The 2020 performance share grant ("2020 grant") consisted of 115,000 single financial measure performance shares, which have a one-year performance period based on a specific operating earnings performance goal. The 2020 single financial measure performance awards have a weighted average grant date fair value of \$22.59 per share, which was determined by the market price on the date of grant. On February 15, 2022, the Compensation Committee approved the actual performance achievement of the 2020 single financial measure performance award. These awards will vest over the next four years, if not forfeited by the recipient. The total nonvested shares related to 2020 single financial measure performance awards at year-end 2021 is 104,000.

2019 Grant

The 2019 performance share grant ("2019 grant"), consisted of a total target number of performance shares granted of 260,000, of which 207,000 shares were eligible to earn up to the maximum number of performance shares of 413,000, which assumes 200% of the target shares originally granted, and may be earned upon achievement of two financial goals. The 2019 financial measure performance awards were granted with a market condition in the form of a relative TSR modifier, which could have impacted the number of shares earned as determined at the end of the performance period. The number of shares earned based on financial measures' results could have been reduced, increased or remain the same based on the Company's TSR relative to the S&P SmallCap 600 Index. The maximum number of performance shares that could have been earned was 200% of the target shares originally granted and the TSR modifier could not increase payouts above the maximum. No dividends were paid on these performance shares. The 2019 grant also included 53,000 single financial measure performance shares.

KELLY SERVICES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

The 2019 financial measure performance awards had a weighted average grant date fair value of \$25.54 per share, which was determined using a Monte Carlo valuation model incorporating assumptions for inputs of expected stock price volatility, dividend yield and risk-free interest rate.

The total nonvested shares related to 2019 financial measure performance awards at year-end 2021 is 113,000.

Based upon the level of achievement of specific financial performance goals for the 2019 grant, participants had the ability to receive up to 200% of the target number of shares originally granted. On February 15, 2022, the Compensation Committee approved the actual performance achievement of the financial measure performance awards, which was below the threshold level and resulted in no payout for the 2019 grant.

A summary of the status of all nonvested performance shares at target for 2021 is presented as follows below (in thousands of shares except per share data). The vesting adjustment in the table below represents the 2018 financial measure performance shares and the 2018 Total Shareholder Return ("TSR") performance shares that did not vest because actual achievement was below the threshold level and resulted in no payout.

	Financial Measure Performance Shares		TSR Performance Shares	
	Shares	Weighted Average Grant Date Fair Value	Shares	Weighted Average Grant Date Fair Value
Nonvested at year-end 2020	366	\$ 22.40	47	\$ 31.38
Granted	488	18.06	—	—
Vested	(13)	24.90	—	—
Forfeited	(39)	23.36	—	—
Vesting Adjustment	(94)	16.99	(47)	31.38
Nonvested at year-end 2021	708	\$ 20.03	—	\$ —

As of year-end 2021, unrecognized compensation cost related to all unvested financial measure performance shares and TSR performance shares totaled \$8.7 million and \$0.0 million, respectively. The weighted average period over which the costs are expected to be recognized is approximately 3.5 years for financial measure performance shares and 0 years for TSR performance shares. The total fair value of financial measure performance shares and TSR performance shares, which vested during 2021, was \$0.3 million and \$0.0 million, respectively.

17. Sale of Assets

In the second quarter of 2020, the Company monetized wage subsidy receivables outside the U.S. for \$16.9 million, net of fees and 5% retainer. The sale of these receivables was accounted for as a sale of financial assets with certain recourse provisions in which we derecognized the receivables. Although the sale of receivables is with recourse, the Company did not record a recourse obligation as the Company concluded the receivables were collectible. The net cash proceeds related to the sale were included in operating activities in the consolidated statements of cash flows and the fees related to the sale were included in SG&A expenses in the consolidated statements of earnings.

On March 20, 2020, the Company sold three of our four headquarters properties for a purchase price of \$58.5 million as a part of a sale and leaseback transaction. The properties included the parcels of land, together with all rights and easements, in addition to all improvements located on the land, including buildings. The Company received cash proceeds of \$55.5 million, which was net of transaction expenses. As of the date of the sale, the properties had a combined net carrying amount of \$23.4 million. The resulting gain on the sale of the assets was \$32.1 million which was recorded in gain on sale of assets in the consolidated statements of earnings. The Company leased back the main headquarters building on the same date; see the Leases footnote for discussion of the sale and leaseback transaction.

Gain on sale of assets of \$12.3 million in 2019 primarily represents the sale of unused land located near the Company headquarters in the second quarter of 2019, and includes the excess of the \$11.7 million sale proceeds over the cost of the parcel. The gain on sale of assets also includes proceeds of \$2.1 million from the transfer of customer contracts related to the Company's legal specialty operations to a third party during the second quarter of 2019.

KELLY SERVICES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

18. Asset Impairment Charge

During the fourth quarter of 2019, a triggering event for the evaluation of a certain long-lived asset for impairment occurred related to our corporate U.S. front and middle office technology development project. We determined that we would not complete a technology project for which we had previously capitalized certain development costs in order to enhance and expand a technology platform already in existence.

To determine the amount of the impairment charge, we aggregated all capitalized costs related to the project that could not be transferred to the expansion and enhancement of the existing platform. As a result, we recorded a \$15.8 million asset impairment charge on the 2019 consolidated statements of earnings.

19. Other Income (Expense), Net

Included in other income (expense), net are the following:

	2021	2020	2019
	(In millions of dollars)		
Interest income	\$ 0.2	\$ 0.6	\$ 1.1
Interest expense	(2.5)	(3.0)	(4.2)
Dividend income	2.7	2.4	2.5
Foreign exchange gains (losses)	(1.0)	3.3	(0.8)
Other	(3.0)	0.1	0.2
Other Income (Expense), Net	\$ (3.6)	\$ 3.4	\$ (1.2)

Included in Other for 2021 is a loss from the sale of the assets related to our minority investment in Kenzie Academy (see Fair Value Measurements footnote) and transaction-related expenses from the April 2021 acquisition of Softworld (see Acquisitions and Disposition footnote).

20. Income Taxes

Earnings (loss) before taxes and equity in net earnings (loss) of affiliate for the years 2021, 2020 and 2019 were taxed under the following jurisdictions:

	2021	2020	2019
	(In millions of dollars)		
Domestic	\$ 30.5	\$ (84.7)	\$ 46.6
Foreign	155.3	(22.1)	69.8
Total	\$ 185.8	\$ (106.8)	\$ 116.4

KELLY SERVICES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

The provision for income taxes was as follows:

	2021	2020	2019
	(In millions of dollars)		
Current tax expense:			
U.S. federal	\$ 3.5	\$ 8.2	\$ 4.7
U.S. state and local	2.1	5.9	3.0
Foreign	7.9	9.0	11.0
Total current	13.5	23.1	18.7
Deferred tax (benefit) expense:			
U.S. federal	(11.8)	(36.0)	(19.4)
U.S. state and local	(0.7)	(12.3)	(1.6)
Foreign	34.1	(8.8)	2.7
Total deferred	21.6	(57.1)	(18.3)
Total provision	\$ 35.1	\$ (34.0)	\$ 0.4

Deferred income taxes reflect the temporary differences between the asset and liability basis for financial reporting purposes and the amounts used for income tax purposes, at the relevant tax rate. The deferred tax assets and liabilities are comprised of the following:

	2021	2020
	(In millions of dollars)	
Depreciation and amortization	\$ (9.5)	\$ (10.5)
Employee compensation and benefit plans	70.4	61.4
Accrued payroll and related taxes	22.1	29.6
Accrued workers' compensation	11.7	13.4
Investment in Persol Holdings	(70.9)	(39.1)
Investment in equity affiliate	(13.3)	(13.1)
Operating lease liabilities	21.8	21.7
Loss carryforwards	36.4	33.6
Credit carryforwards	175.0	161.2
Other, net	6.5	4.3
Valuation allowance	(19.0)	(20.2)
Net deferred tax assets	\$ 231.2	\$ 242.3

The deferred tax balance is classified in the consolidated balance sheet as:

	2021	2020
	(In millions of dollars)	
Deferred tax asset	\$ 302.8	\$ 282.0
Other long-term liabilities	(71.6)	(39.7)
	\$ 231.2	\$ 242.3

The Company has U.S. general business credit carryforwards of \$166.5 million which will expire from 2034 to 2041, foreign tax credit carryforwards of \$8.4 million which will expire from 2022 to 2031 and \$0.1 million of state credit carryforwards which will expire from 2026 to 2041. The net tax effect of state and foreign loss carryforwards at year-end 2021 totaled \$36.4 million, \$2.6 million of which expire between 2022 to 2041, and \$33.8 million of which have no expiration.

The Company has established a valuation allowance for loss carryforwards and future deductible items in certain foreign jurisdictions, and for U.S. foreign tax credit carryforwards. The valuation allowance is determined in accordance with the provisions of ASC 740, which requires an assessment of both negative and positive evidence when measuring the need for a valuation allowance. The Company's recent losses in these foreign jurisdictions, and its recent lack of adequate U.S. foreign source income to fully utilize foreign tax credit carryforwards, represented sufficient negative evidence to require a valuation allowance under ASC 740. The Company intends to maintain a valuation allowance until sufficient positive evidence exists to

KELLY SERVICES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

support realization of the foreign deferred tax assets. At this time, we have no valuation allowance against our Mexican deferred tax asset of \$3.8 million, though it is possible this may change as we continue to assess the impact of the new labor laws that became effective in the third quarter of 2021 on our Mexican business operations.

The differences between income taxes from continuing operations for financial reporting purposes and the U.S. statutory rate of 21% in 2021, 2020, and 2019 as follows:

	2021	2020	2019
	(In millions of dollars)		
Income tax based on statutory rate	\$ 39.0	\$ (22.4)	\$ 24.4
State income taxes, net of federal benefit	1.1	(5.1)	1.1
Foreign tax rate differential	12.2	2.8	4.6
General business credits	(9.7)	(9.9)	(16.7)
Life insurance cash surrender value	(5.2)	(4.6)	(6.5)
Foreign items	1.7	(1.8)	0.8
Sale of Brazil operations	—	(6.6)	—
Foreign business taxes	2.1	3.0	3.8
Tax law change	(5.2)	(1.7)	(0.2)
Change in deferred tax realizability	(0.7)	0.4	(10.6)
Non-deductible goodwill impairment	—	11.9	—
Other	(0.2)	—	(0.3)
Total	\$ 35.1	\$ (34.0)	\$ 0.4

Our tax benefit or expense is affected by recurring items, such as the amount of pretax income and its mix by jurisdiction, U.S. work opportunity credits and the change in cash surrender value of non-taxable investments in life insurance policies. It is also affected by discrete items that may occur in any given period but are not consistent from period to period, such as tax law changes or changes in judgment regarding the realizability of deferred tax assets. Changes in the fair value of the Company's investment in Persol Holdings are recognized in the consolidated statements of earnings. These investment gains or losses are treated as discrete since they cannot be estimated.

Several items have contributed to the variance in our income tax benefit or expense over the last three years. Income tax expense for 2021 included \$37.3 million from the gain on our investment in Persol Holdings and \$4.8 million from the gain on insurance settlement, and benefited \$5.2 million from a change in tax rate in the United Kingdom. The 2020 income tax benefited from lower pretax earnings and included \$5.1 million from the loss on our investment in Persol Holdings, \$6.6 million from the sale of Brazil operations and \$23 million from the impairment of tax deductible goodwill. Income tax expense for 2019 included an \$11.0 million expense from the gain on our investment in Persol Holdings, in addition to a \$3.9 million charge to establish valuation allowances in Germany, offset by a \$14.3 million benefit on the release of valuation allowances in the United Kingdom.

General business credits primarily represent U.S. work opportunity credits. Foreign items include foreign tax credits, foreign non-deductible expenses and non-taxable income. Foreign business taxes include the French business tax and other taxes based on revenue less certain expenses and are classified as income taxes under ASC 740 ("ASC 740"), Income Taxes.

Provision has not been made for additional income taxes on an estimated \$167.8 million of undistributed earnings which are indefinitely reinvested. If these earnings were to be repatriated, the Company could be subject to foreign withholding tax, federal and state income tax, net of federal benefit, and income taxes on foreign exchange gains or losses, of \$10.8 million.

KELLY SERVICES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

	2021	2020	2019
	(In millions of dollars)		
Balance at beginning of the year	\$ 0.5	\$ 0.9	\$ 1.1
Additions for prior years' tax positions	0.2	—	—
Reductions for prior years' tax positions	—	—	—
Additions for settlements	—	—	—
Reductions for settlements	—	—	—
Reductions for expiration of statutes	(0.1)	(0.4)	(0.2)
Balance at end of the year	<u>\$ 0.6</u>	<u>\$ 0.5</u>	<u>\$ 0.9</u>

If the \$0.6 million in 2021, \$0.5 million in 2020 and \$0.9 million in 2019 of unrecognized tax benefits were recognized, they would have a favorable effect of \$0.5 million in 2021, \$0.4 million in 2020 and \$0.8 million in 2019 on income tax expense.

The Company recognizes both interest and penalties as part of the income tax provision. The Company recognized expense of \$0.1 million in 2021 and a benefit of \$0.1 million in 2020 for interest and penalties. Interest and penalties expense in 2019 was not significant. Accrued interest and penalties were \$0.2 million at year-end 2021 and \$0.1 million at year-end 2020.

The Company files income tax returns in the U.S. and in various states and foreign countries. The tax periods open to examination by the major taxing jurisdictions to which the Company is subject include the U.S. for fiscal years 2018 forward, Canada for fiscal years 2014 forward, France for fiscal years 2013 forward, Portugal for fiscal years 2018 forward, Puerto Rico for fiscal years 2017 forward, Russia for fiscal years 2019 forward, and Switzerland for fiscal years 2012 forward.

The Company and its subsidiaries have various income tax returns in the process of examination. The unrecognized tax benefit and related interest and penalty balances include approximately \$0.2 million for 2021, related to tax positions which are reasonably possible to change within the next twelve months due to income tax audits, settlements and statute expirations.

21. Supplemental Cash Flow Information

Changes in operating assets and liabilities, net of acquisitions, as disclosed in the statements of cash flows, for the fiscal years 2021, 2020 and 2019, respectively, were as follows:

	2021	2020	2019
	(In millions of dollars)		
(Increase) decrease in trade accounts receivable	\$ (150.7)	\$ 55.9	\$ 46.0
(Increase) decrease in prepaid expenses and other assets	5.0	21.8	6.0
(Increase) decrease in ROU assets	7.7	0.2	0.7
Increase (decrease) in accounts payable and accrued liabilities	155.8	10.5	(43.0)
Increase (decrease) in operating lease liabilities	(29.7)	(21.1)	(21.6)
Increase (decrease) in accrued payroll and related taxes	12.5	71.9	(13.2)
Increase (decrease) in accrued workers' compensation and other claims	(6.2)	(4.9)	(1.9)
Increase (decrease) in income and other taxes	(4.6)	(14.0)	0.6
Total changes in operating assets and liabilities, net of acquisitions	<u>\$ (10.2)</u>	<u>\$ 120.3</u>	<u>\$ (26.4)</u>

The Company paid interest of \$1.7 million in 2021, \$1.6 million in 2020 and \$3.2 million in 2019. The Company paid income taxes of \$14.1 million in 2021, \$26.4 million in 2020 and \$17.7 million in 2019.

Non-cash capital accruals totaled \$1.0 million, \$1.4 million and \$1.6 million at year-end 2021, 2020 and 2019, respectively.

KELLY SERVICES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

22. Commitments

In addition to lease agreements (see Leases footnote) and the indemnification agreement related to the sale of our Brazil operations (see Acquisitions and Disposition footnote), the Company has entered into noncancelable purchase obligations totaling \$69.7 million. These obligations relate primarily to technology services and online tools which the Company expects to utilize generally within the next two fiscal years, in the ordinary course of business. The Company has no material unrecorded commitments, losses, contingencies or guarantees associated with any related parties or unconsolidated entities. See the Debt and Retirement Benefits footnotes for commitments related to debt and pension obligations.

23. Contingencies

The Company is continuously engaged in litigation, threatened litigation, claims, audits or investigations arising in the ordinary course of its business, such as matters alleging employment discrimination, wage and hour violations, claims for indemnification or liability, violations of privacy rights, anti-competition regulations, commercial and contractual disputes, and tax-related matters which could result in a material adverse outcome.

We record accruals for loss contingencies when we believe it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. Such accruals are recorded in accounts payable and accrued liabilities and in accrued workers' compensation and other claims in the consolidated balance sheet. The gross accrual for litigation costs amounted to \$1.4 million at both year-end 2021 and 2020.

The Company maintains insurance coverage which may cover certain losses. When losses exceed the applicable policy deductible and realization of recovery of the loss from existing insurance policies is deemed probable, the Company records receivables from the insurance company for the excess amount, which are included in prepaid expenses and other current assets in the consolidated balance sheet. At year-end 2021 and 2020, there were no related insurance receivables.

During the third quarter of 2021, the Company filed a claim under a representations and warranties insurance policy purchased by the Company in connection with the acquisition of Softworld. The claim asserts damages arising out of alleged breaches by the sellers of Softworld of certain representations and warranties contained in the purchase agreement relating to periods prior to the closing of the acquisition. During the fourth quarter of 2021, the Company entered into a settlement agreement and mutual release with the insurer resolving all claims under the policy in exchange for a payment of \$19.0 million, which was received prior to year-end 2021.

The Company estimates the aggregate range of reasonably possible losses, in excess of amounts accrued, is \$0.7 million to \$9.3 million as of year-end 2021. This range includes matters where a liability has been accrued but it is reasonably possible that the ultimate loss may exceed the amount accrued and for matters where a loss is believed to be reasonably possible, but a liability has not been accrued. The aggregate range only represents matters in which we are currently able to estimate a range of loss and does not represent our maximum loss exposure. The estimated range is subject to significant judgment and a variety of assumptions and only based upon currently available information. For other matters, we are currently not able to estimate the reasonably possible loss or range of loss.

While the ultimate outcome of these matters cannot be predicted with certainty, we believe that the resolution of any such proceedings will not have a material adverse effect on our financial condition, results of operations or cash flows.

24. Segment Disclosures

The Company's operating segments, which also represent its reporting segments, are based on the organizational structure for which financial results are regularly evaluated by the Company's chief operating decision-maker ("CODM", the Company's CEO) to determine resource allocation and assess performance. The Company's five reportable segments, (1) Professional & Industrial, (2) Science, Engineering & Technology, (3) Education, (4) Outsourcing & Consulting, and (5) International, reflect the specialty services the Company provides to customers and represent how the business is organized internally. Intersegment revenue represents revenue earned between the reportable segments and is eliminated from total segment revenue from services.

Professional & Industrial delivers staffing, outcome-based and direct-hire services focused on office, Professional, Light Industrial and Contact Center specialties in the U.S. and Canada, including our KellyConnect and Skilled Professional Solutions products. Science, Engineering & Technology delivers staffing, outcome-based and direct-hire services focused on science and clinical research, engineering, technology and telecommunications specialties predominantly in the U.S. and Canada. Education delivers staffing, direct-hire and executive search services across the full education spectrum from early childhood to higher education in the U.S. Outsourcing & Consulting is focused on providing MSP, RPO, PPO and Talent

KELLY SERVICES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Advisory Services to customers on a global basis. International delivers staffing, RPO and direct-hire services in Europe, as well as services in Mexico in accordance with recent changes in labor market regulations and, prior to August 2020, Brazil (see Acquisitions and Disposition footnote).

Corporate expenses that directly support the operating units have been allocated to Professional & Industrial, Science, Engineering & Technology, Education, Outsourcing & Consulting and International based on work effort, volume or, in the absence of a readily available measurement process, proportionately based on gross profit realized. Unallocated corporate expenses include those related to incentive compensation, law and risk management, certain finance and accounting functions, executive management, corporate campus facilities, IT production support, certain legal costs and expenses related to corporate initiatives that do not directly benefit a specific operating segment. Consistent with the information provided to and evaluated by the CODM, the goodwill impairment charge in the first quarter of 2020 is included in Corporate expenses.

The following tables present information about the reported revenue from services and gross profit of the Company by reportable segment, along with a reconciliation to earnings (loss) before taxes and equity in net earnings (loss) of affiliate, for 2021, 2020 and 2019. Asset information by reportable segment is not presented, since the Company does not produce such information internally nor does it use such information to manage its business.

	2021	2020	2019
	(In millions of dollars)		
Revenue from Services:			
Professional & Industrial	\$ 1,837.4	\$ 1,858.4	\$ 2,213.4
Science, Engineering & Technology	1,156.8	1,019.1	1,131.8
Education	416.5	286.9	450.7
Outsourcing & Consulting	432.1	363.5	377.7
International	1,067.8	988.6	1,182.5
Less: Intersegment revenue	(0.9)	(0.5)	(0.5)
Consolidated Total	\$ 4,909.7	\$ 4,516.0	\$ 5,355.6

KELLY SERVICES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

	2021	2020	2019
	(In millions of dollars)		
Earnings (Loss) from Operations:			
Professional & Industrial gross profit	\$ 310.0	\$ 330.2	\$ 388.4
Professional & Industrial SG&A expenses	(278.6)	(288.6)	(326.0)
Professional & Industrial earnings (loss) from operations	31.4	41.6	62.4
Science, Engineering & Technology gross profit	253.9	209.4	226.2
Science, Engineering & Technology SG&A expenses	(180.2)	(134.4)	(146.7)
Science, Engineering & Technology earnings (loss) from operations	73.7	75.0	79.5
Education gross profit	65.1	42.2	72.0
Education SG&A expenses	(62.1)	(51.2)	(56.2)
Education earnings (loss) from operations	3.0	(9.0)	15.8
Outsourcing & Consulting gross profit	141.4	119.8	122.3
Outsourcing & Consulting SG&A expenses	(122.7)	(108.3)	(119.3)
Outsourcing & Consulting earnings (loss) from operations	18.7	11.5	3.0
International gross profit	148.8	126.0	159.5
International SG&A expenses	(138.9)	(134.9)	(140.8)
International earnings (loss) from operations	9.9	(8.9)	18.7
Corporate	(88.1)	(203.8)	(97.6)
Consolidated Total	48.6	(93.6)	81.8
Gain (loss) on investment in Persol Holdings	121.8	(16.6)	35.8
Other income (expense), net	15.4	3.4	(1.2)
Earnings (loss) before taxes and equity in net earnings (loss) of affiliate	\$ 185.8	\$ (106.8)	\$ 116.4

Depreciation and amortization expense included in SG&A expenses by segment above are as follows:

	2021	2020	2019
	(In millions of dollars)		
Depreciation and amortization:			
Professional & Industrial	\$ 5.3	\$ 5.5	\$ 5.5
Science, Engineering & Technology	10.6	4.2	4.2
Education	3.6	3.6	2.1
Outsourcing & Consulting	0.7	0.7	0.5
International	2.0	2.3	4.3

KELLY SERVICES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

A summary of revenue from services by geographic area for 2021, 2020 and 2019 follows:

	2021	2020	2019
	(In millions of dollars)		
Revenue from Services:			
United States	\$ 3,513.4	\$ 3,260.2	\$ 3,892.5
Foreign	1,396.3	1,255.8	1,463.1
Total	\$ 4,909.7	\$ 4,516.0	\$ 5,355.6

Foreign revenue is based on the country in which the legal subsidiary is domiciled. No single foreign country's revenue represented more than 10% of the consolidated revenues of the Company. No single customer represented more than 10% of the consolidated revenues of the Company.

A summary of long-lived assets information by geographic area as of year-end 2021 and 2020 follows:

	2021	2020
	(In millions of dollars)	
Long-Lived Assets:		
United States	\$ 86.3	\$ 94.7
Foreign	24.8	29.5
Total	\$ 111.1	\$ 124.2

Long-lived assets represent property and equipment and ROU assets. No single foreign country's long-lived assets represented more than 10% of the consolidated long-lived assets of the Company.

25. New Accounting Pronouncements

Recently Adopted

In March 2020, the FASB issued ASU 2020-04, Reference Rate Reform (Topic 848) - Facilitation of the Effects of Reference Rate Reform on Financial Reporting. ASU 2020-04 provides optional expedients and exceptions for applying GAAP to contracts, hedging relationships and other transactions affected by reference rate reform if certain criteria are met. The amendments in this update apply only to contracts, hedging relationships and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform. ASU 2020-04 was effective for the Company in the first quarter of fiscal 2021. The adoption of this standard did not have a material impact to our consolidated financial statements.

In January 2020, the FASB issued ASU 2020-01 which clarifies the interaction of rules for equity securities, the equity method of accounting and forward contracts and purchase options on certain types of securities. The guidance clarifies how to account for the transition into and out of the equity method of accounting when considering observable transactions under the measurement alternative. The ASU is effective for annual reporting periods beginning after December 15, 2020, including interim reporting periods within those annual periods, with early adoption permitted. The adoption of this standard did not have a material impact to our consolidated financial statements.

In December 2019, the FASB issued ASU 2019-12 simplifying various aspects related to the accounting for income taxes. The guidance removes exceptions to the general principles in Topic 740 related to the approach for intraperiod tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences. The ASU is effective for annual reporting periods beginning after December 15, 2020, including interim reporting periods within those annual periods, with early adoption permitted. The adoption of this standard did not have a material impact to our consolidated financial statements.

KELLY SERVICES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

In August 2018, the FASB issued ASU 2018-15, which aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). The ASU is effective for annual reporting periods beginning after December 15, 2019, including interim reporting periods within those annual periods, with early adoption permitted. Entities have the option to apply the guidance prospectively to all implementation costs incurred after the date of adoption or retrospectively. We adopted this guidance prospectively effective December 30, 2019. In accordance with the standard, we present capitalized implementation costs incurred in a hosting arrangement that is a service contract as other assets on our consolidated balance sheet. This presentation is consistent with the presentation of the prepayment of fees for the hosting arrangement. We recognized \$1.0 million of amortization expense for capitalized implementation costs incurred in hosting arrangements for the year ended 2020 as a component of SG&A expenses in our consolidated statements of earnings. We recognized \$5.1 million of payments for capitalized implementation costs for the year ended 2020 in the same manner as payments made for fees associated with the related hosting arrangements as a component of net cash from operating activities in our consolidated statements of cash flows. The Company's cloud computing arrangements are comprised of internal-use software platforms accounted for as service contracts. The Company does not have the ability to take possession of the software without significant penalty nor can the Company run the software on its own hardware or contract with another party unrelated to the vendor to host the software. See Summary of Significant Accounting Policies footnote.

In June 2016, the FASB issued ASU 2016-13 (ASC Topic 326), as clarified in ASU 2019-04, ASU 2019-05, ASU 2019-11 and ASU 2018-19, amending how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The guidance requires the application of a current expected credit loss model, which is a new impairment model based on expected losses. Under this model, an entity recognizes an allowance for expected credit losses based on historical experience, current conditions and forecasted information rather than the prior methodology of delaying recognition of credit losses until it is probable a loss has been incurred. The standard also requires additional quantitative and qualitative disclosures regarding credit risk inherent in a reporting entity's portfolio, how management monitors this risk, management's estimate of expected credit losses, and the changes in the estimate that has taken place during the period. This ASU is effective for interim and annual reporting periods beginning after December 15, 2019 with early adoption permitted for annual reporting periods beginning after December 15, 2018. We adopted this ASU using the modified retrospective method for all financial assets measured at amortized cost and off-balance-sheet credit exposures, as applicable. Results for reporting periods beginning after December 30, 2019 are presented under ASC 326 while prior period amounts continue to be reported in accordance with previously applicable GAAP. We recorded a decrease to retained earnings of \$0.7 million, net of tax, in the first quarter 2020 for the cumulative effect of adopting ASC 326. See Credit Losses footnote for the impact on the consolidated financial statements.

In August 2018, the FASB issued ASU 2018-13 which eliminates, adds and modifies certain fair value measurement disclosures. The ASU is effective for annual reporting periods beginning after December 15, 2019, including interim reporting periods within those annual periods, with early adoption permitted. The adoption of this standard did not have a material impact to our consolidated financial statements.

Not Yet Adopted

In October 2021, the FASB issued ASU 2021-08, Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers, to require that an acquirer recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with Topic 606, Revenue from Contracts with Customers. At the acquisition date, an acquirer should account for the related revenue contracts in accordance with Topic 606 as if it had originated the contracts. The amendments in this update are effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years and should be applied prospectively to business combinations that occur after the effective date. We are currently evaluating the impact of the new guidance on our consolidated financial statements and related disclosures.

Management has evaluated other recently issued accounting pronouncements and does not believe that any of these pronouncements will have a significant impact on our consolidated financial statements and related disclosures.

KELLY SERVICES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

26. Related Party Transactions

The Terence E. Adderley Revocable Trust K (“Trust K”), which became irrevocable upon the death of Terence E. Adderley (the former Chairman of the Company’s board of directors) on October 9, 2018, controls approximately 91.6% of the outstanding shares of Kelly Class B common stock. There were no material transactions between the Company and Trust K or its trustees in 2021, 2020 or 2019.

See Investment in PersolKelly Pte. Ltd. footnote for a description of related party activity with PersolKelly Pte. Ltd.

27. Subsequent Events

On February 11, 2022, the Company’s board of directors approved transactions related to our investments in the Asia-Pacific region.

Investment in Persol Holdings

As of January 2, 2022, the investment in Persol Holdings was recorded at its fair value of \$264.3 million based on quoted market prices of the stock on the Tokyo Stock Exchange. In addition, a deferred income tax liability of \$70.9 million has been provided.

On February 15, 2022, the Company’s Kelly Services Japan subsidiary sold the investment in the common stock of Persol Holdings in an open market transaction. The proceeds were \$197.4 million, less transaction expenses. The investment was purchased in 2005 and 2006 at a cost of \$33.9 million. The February 15, 2022 transaction will result in a taxable gain in Japan.

Since the beginning of fiscal year 2022 through the date of transaction, we recorded losses of \$52.4 million related to changes in the fair value of the investment. The estimated total loss on Persol common stock, of \$46.5 million, net of tax, including losses related to changes in the fair value up to the date of the transaction, will be reflected in our statement of earnings in the first quarter of 2022.

Investment in PersolKelly Pte. Ltd. (the “JV”)

As of January 2, 2022, the investment in the JV, accounted for under the equity method, was recorded at \$123.4 million and a deferred income tax liability of \$13.3 million has been provided.

On February 14, 2022, the Company entered into an agreement to sell 95% of its shares in the JV to our partner, Persol Asia Pacific Pte. Ltd., for \$119.5 million. After this transaction, the Company will have a remaining ownership interest in the JV of 2.5%. The gain or loss on the sale in the first quarter of 2022 is not expected to be material. The transaction will result in a taxable gain in the U.S.

Share repurchase

The Company repurchased its 1,576,169 Class A and 1,475 Class B common shares held by Persol Holdings on February 14, 2022 at a price based on the average closing price of the last 5 business days prior to the transaction. The cost of the shares was \$27.2 million. The shares were subsequently retired and returned to authorized but unissued status.

KELLY SERVICES, INC. AND SUBSIDIARIES
SCHEDULE II - VALUATION RESERVES
(In millions of dollars)

Description	Balance at beginning of year	Additions		Currency exchange effects	Deductions from reserves	Balance at end of year
		Charged to costs and expenses	Charged to other accounts			
<u>Fiscal year ended January 2, 2022</u>						
Reserve deducted in the balance sheet from the assets to which it applies -						
Deferred tax assets valuation allowance	\$ 20.2	0.5	—	(0.8)	(0.9)	\$ 19.0
<u>Fiscal year ended January 3, 2021</u>						
Reserve deducted in the balance sheet from the assets to which it applies -						
Deferred tax assets valuation allowance	\$ 19.0	3.7	—	0.5	(3.0)	\$ 20.2
<u>Fiscal year ended December 29, 2019</u>						
Reserve deducted in the balance sheet from the assets to which it applies -						
Allowance for doubtful accounts - trade accounts receivable	\$ 13.2	3.4	0.7 ⁽¹⁾	—	(4.4)	\$ 12.9
Deferred tax assets valuation allowance	\$ 27.8	6.1	—	(0.3)	(14.6)	\$ 19.0

⁽¹⁾ Adjustment to provision for sales allowances charged to revenue from services.

**INDEX TO EXHIBITS
REQUIRED BY ITEM 601
REGULATIONS S-K**

<u>Exhibit No.</u>	<u>Description</u>
<u>3.1</u>	Amended and Restated Certificate of Incorporation, effective May 9, 2018 (Reference is made to Exhibit 3.1 to the Form 8-K filed with the Commission on May 11, 2018, which is incorporated herein by reference).
<u>3.2</u>	By-laws, effective November 6, 2018 (Reference is made to Exhibit 3.1 to the Form 8-K filed with the Commission on November 7, 2018, which is incorporated herein by reference).
<u>4</u>	Description of Securities (Reference is made to Exhibit 4 to the Form 10-K filed with the Commission on February 13, 2020, which is incorporated herein by reference).
<u>10.1*</u>	Kelly Services, Inc. Short-Term Incentive Plan, as amended and restated January 1, 2020 (Reference is made to Exhibit 10.1 to the Form 10-K filed with the Commission on February 18, 2021, which is incorporated herein by reference).
<u>10.2*</u>	Kelly Services, Inc. Equity Incentive Plan (Reference is made to Exhibit 10.1 to the Form 8-K filed with the Commission on May 12, 2017, which is incorporated herein by reference).
<u>10.3*</u>	Kelly Services, Inc. Amended and Restated Senior Executive Severance Plan (Reference is made to Exhibit 10.1 to the Form 8-K filed with the Commission on May 4, 2021, which is incorporated herein by reference).
<u>10.4*</u>	Kelly Services, Inc. Non-Employee Directors Deferred Compensation Plan (Reference is made to Exhibit 10.4 to the Form 10-K filed with the Commission on February 20, 2018, which is incorporated herein by reference).
<u>10.5*</u>	First Amendment to the Kelly Services, Inc. Non-Employee Directors Deferred Compensation Plan (Reference is made to Exhibit 10.5 to the Form 10-K filed with the Commission on February 13, 2020, which is incorporated herein by reference).
<u>10.6</u>	Third Amended and Restated Credit Agreement, dated December 5, 2019 (Reference is made to Exhibit 10.6 to the Form 8-K filed with the Commission on December 9, 2019, which is incorporated herein by reference).
<u>10.7</u>	Agreement of Purchase and Sale, A.F.J. Development Company and Kelly Properties, LLC (Reference is made to Exhibit 10.7 to the Form 10-K filed with the Commission on February 13, 2020, which is incorporated herein by reference).
<u>10.12*</u>	Kelly Services, Inc. Management Retirement Plan as amended and restated January 1, 2020 (Reference is made to Exhibit 10.12 to the Form 10-K filed with the Commission on February 18, 2021, which is incorporated herein by reference)..
<u>10.14</u>	Amended and Restated Pledge and Security Agreement, dated December 5, 2019 (Reference is made to Exhibit 10.14 to the Form 8-K filed with the Commission on December 9, 2019, which is incorporated herein by reference).
<u>10.15</u>	First Amended and Restated Receivables Purchase Agreement Amendment No. 2, dated December 30, 2021 (Reference is made to Exhibit 10.15 to the Form 8-K filed with the Commission on January 5, 2022, which is incorporated herein by reference).

**INDEX TO EXHIBITS
REQUIRED BY ITEM 601
REGULATION S-K (continued)**

<u>Exhibit No.</u>	<u>Description</u>
14	Code of Business Conduct and Ethics, revised August 2021 (Reference is made to Exhibit 14 to the Form 10-Q filed with the commission on November 10, 2021, which is incorporated herein by reference).
21	Subsidiaries of Registrant.
23	Consent of Independent Registered Public Accounting Firm.
24	Power of Attorney.
31.1	Certification Pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act, as amended.
31.2	Certification Pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act, as amended.
32.1	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data file because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

* Indicates a management contract or compensatory plan or arrangement.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: February 17, 2022

KELLY SERVICES, INC.

Registrant

By /s/ Olivier G. Thirot

Olivier G. Thirot

Executive Vice President and Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Date: February 17, 2022

* /s/ P. W. Quigley

P. W. Quigley

President, Chief Executive Officer and Director
(Principal Executive Officer)

Date: February 17, 2022

* /s/ D. R. Parfet

D. R. Parfet

Chairman of the Board and Director

Date: February 17, 2022

* /s/ C. M. Adderley

C. M. Adderley

Director

Date: February 17, 2022

* /s/ G. S. Adolph

G. S. Adolph

Director

Date: February 17, 2022

* /s/ G. S. Corona

G. S. Corona

Director

Date: February 17, 2022

* /s/ R. S. Cubbin

R. S. Cubbin

Director

Date: February 17, 2022

/s/ A. Duggirala

A. Duggirala

Director

Date: February 17, 2022

* /s/ J. E. Dutton

J. E. Dutton

Director

Date: February 17, 2022

/s/ I. F. Johnson

I. F. Johnson

Director

Date: February 17, 2022

* /s/ T. B. Larkin

T. B. Larkin

Director

Date: February 17, 2022

* /s/ L. A. Murphy

L. A. Murphy

Director

SIGNATURES (continued)

Date: February 17, 2022

/s/ O. G. Thiot

O. G. Thiot

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

Date: February 17, 2022

/s/ L. S. Lockhart

L. S. Lockhart

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

Date: February 17, 2022

*By /s/ O.G. Thiot

O.G. Thiot

Attorney-in-Fact

SUBSIDIARIES OF REGISTRANT

Kelly Services, Inc.

Subsidiary	State/Jurisdiction of Incorporation	Business Name
Kelly Services (Canada), Ltd.	Canada	Kelly Services
Kelly Services, Global, LLC	Michigan	Kelly Services
Kelly Services, USA, LLC	Michigan	Kelly Services
Teachers On Call, Inc. (a subsidiary of Kelly Services, USA, LLC)	Minnesota	Teachers On Call
Global Technology Associates, LLC	Virginia	Global Technology Associates
NextGen Global Resources, LLC	Delaware	NextGen Global Resources
Greenwood/Asher & Associates, LLC (a subsidiary of Kelly Services, USA, LLC)	Florida	Greenwood/Asher & Associates
Softworld, Inc. (a subsidiary of Kelly Services, Inc.)	Massachusetts	Softworld
Kelly Properties, LLC	Delaware	Kelly Properties
Kelly Innovation Fund, LLC (a subsidiary of Kelly Properties, LLC)	Michigan	Kelly Innovation Fund
Kelly Receivables Funding, LLC	Delaware	Kelly Receivables Funding
Kelly Outsourcing and Consulting Group Australia, Ltd.	Delaware	Kelly Services
Kelly Services of Denmark, Inc.	Delaware	Kelly Services
Kelly Services (Ireland), Ltd. (a subsidiary of Kelly Properties, LLC)	Delaware	Kelly Services
Kelly Services Management, Sarl (a subsidiary of Kelly Services, Inc. and Kelly Properties, LLC)	Switzerland	Kelly Services
Kelly Services (Suisse), SA (a subsidiary of Kelly Services Management, Sarl)	Switzerland	Kelly Services
Kelly Services Outsourcing and Consulting Group, Sarl (a subsidiary of Kelly Services (Suisse), SA)	Switzerland	Kelly Services
Kelly Services (UK), Limited (a subsidiary of Kelly Services Management, Sarl)	United Kingdom	Kelly Services, Ltd.

SUBSIDIARIES OF REGISTRANT (continued)

Kelly Services, Inc.

Subsidiary	State/Jurisdiction of Incorporation	Business Name
Kelly Payroll Services, Limited (a subsidiary of Kelly Services (UK), Limited)	United Kingdom	Kelly Services, Ltd.
Toner Graham, Limited (a subsidiary of Kelly Services (UK), Limited)	United Kingdom	Toner Graham
Kelly Services (Nederland), B.V.	Netherlands	Kelly Services
Kelly Administratiekantoor, B.V. (a subsidiary of Kelly Services (Nederland), B.V.)	Netherlands	Kelly Services
Kelly Managed Services (Nederland), B.V. (a subsidiary of Kelly Services (Nederland), B.V.)	Netherlands	Kelly Services
Kelly Services Norge, AS (a subsidiary of Kelly Services Management, Sarl)	Norway	Kelly Services
Kelly Services Management, AS (a subsidiary of Kelly Services Norge, AS)	Norway	Kelly Services
Kelly Services Mexico, S.A. de C. V. (a subsidiary of Kelly Services, Inc. and Kelly Properties, LLC)	Mexico	Kelly Services
Opciones de Servicio en Mexico, S.A. de C.V. (a subsidiary of Kelly Services Mexico, S.A. de C.V. and Kelly Properties, LLC)	Mexico	Kelly Services
QSM, S.A. de C.V. (a subsidiary of Kelly Services Mexico, S.A. de C.V. and Kelly Properties, LLC)	Mexico	Kelly Services
Kelly Services France, S.A.S. (a subsidiary of Kelly Services Management, Sarl)	France	Kelly Services
Kelly Services, S.A.S. (a subsidiary of Kelly Services France, S.A.S.)	France	Kelly Services
Kelly OCG Sarl (a subsidiary of Kelly Services France, S.A.S.)	France	Kelly Services
Kelly Services Luxembourg, S.à.r.l.	Luxembourg	Kelly Services
Kelly Outsourcing and Consulting Group, S.à.r.l. (a subsidiary of Kelly Services Luxembourg, S.à.r.l.)	Luxembourg	Kelly Services

SUBSIDIARIES OF REGISTRANT (continued)

Kelly Services, Inc.

Subsidiary	State/Jurisdiction of Incorporation	Business Name
Kelly Services, S.p.A. (a subsidiary of Kelly Services Management, Sarl)	Italy	Kelly Services
Kelly Management Services, S.r.l. (a subsidiary of Kelly Services, S.p.A.)	Italy	Kelly Management Services
LLC Kelly Services CIS (a subsidiary of Kelly Services Management, Sarl)	Russia	Kelly Services
LLC Kelly Services IT Solutions (a subsidiary of LLC Kelly Services CIS and Kelly Services Management, Sarl)	Russia	Kelly Services
Kelly Outsourcing and Consulting Group (Germany), GmbH (a subsidiary of Kelly Services Management, Sarl)	Germany	access
Kelly Services, GmbH (a subsidiary of Kelly Outsourcing and Consulting Group (Germany), GmbH)	Germany	Kelly Services
Kelly Outsourcing and Consulting Group (Austria), GmbH (a subsidiary of Kelly Outsourcing and Consulting Group (Germany), GmbH)	Austria	access
Kelly Services Interim (Belgium), SPRL (a subsidiary of Kelly Services, Inc. and Kelly Properties, LLC)	Belgium	Kelly Services
Kelly Services Outsourcing and Consulting Group, NV (a subsidiary of Kelly Services Interim (Belgium), SPRL and Kelly Properties, LLC)	Belgium	Kelly Services
Kelly Services – Empresa de Trabalho Temporario, Unipessoal, Lda. (a subsidiary of Kelly Services Management, Sarl)	Portugal	Kelly Services
Kelly Services – Gestao de Processos, Lda. (a subsidiary of Kelly Services – Empresa de Trabalho Temporario, Unipessoal, Lda. and Kelly Services Management, Sarl)	Portugal	Kelly Services
Kelly Services Healthcare Unipessoal, Lda. (a subsidiary of Kelly Services – Gestao de Processos, Lda.)	Portugal	Kelly Services

SUBSIDIARIES OF REGISTRANT (continued)

Kelly Services, Inc.

Subsidiary	State/Jurisdiction of Incorporation	Business Name
Kelly Services Hungary Staffing, Kft. (a subsidiary of Kelly Services Management, Sarl)	Hungary	Kelly Services
Kelly Services Poland, Sp.zo.o.	Poland	Talents
Kelly OCG Singapore, Pte. Ltd	Singapore	Kelly OCG Singapore
Kelly OCG Malaysia, Sdn. Bhd. (a subsidiary of Kelly OCG Singapore, Pte. Ltd and Matlamat Mahir Sdn.)	Malaysia	Kelly Services
Agensi Pekerjaan Kelly OCG, Sdn. Bhd. (a subsidiary of Kelly OCG Malaysia Sdn. Bhd.)	Malaysia	Kelly Services
Kelly Outsourcing and Consulting Group India, Pte. Ltd. (a subsidiary of Kelly Services, Inc. and Kelly Properties, LLC)	India	Kelly Services
Kelly Services Japan, Inc.	Japan	Kelly Services

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 333-241695) and Form S-8 (Nos. 333-218039, 333-114837, 333-125091, 333-166798 and 333-201165) of Kelly Services, Inc. of our report dated February 17, 2022 relating to the financial statements and financial statement schedule and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP

Detroit, Michigan
February 17, 2022

POWER OF ATTORNEY

Each of the undersigned directors of Kelly Services, Inc. does hereby appoint Olivier G. Thiroit and Vanessa P. Williams, signing singly, his or her true and lawful attorneys, to execute for and on behalf of the undersigned Form 10-K Annual Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ending January 2, 2022, to be filed with the Securities and Exchange Commission in Washington, D.C. under the provisions of the Securities Exchange Act of 1934, as amended, and any and all amendments to said Form 10-K whether said amendments add to, delete from, or otherwise alter the Form 10-K, or add to or withdraw any exhibit or exhibits, schedule or schedules to be filed therewith, and any and all instruments necessary or incidental in connection therewith, hereby granting unto said attorneys and each of them full power and authority to do and perform in the name and on behalf of each of the undersigned, and in any and all capacities, every act and thing whatsoever required or necessary to be done in the exercise of any of the rights and powers herein granted, as fully and to all intents and purposes as each of the undersigned might or could do in person, hereby ratifying and approving the acts of said attorneys and each of them.

IN WITNESS WHEREOF the undersigned have caused this Power of Attorney to be executed as of this 17th day of February, 2022.

/s/ Donald R. Parfet

Donald R. Parfet

/s/ Peter W. Quigley

Peter W. Quigley

/s/ Carol M. Adderley

Carol M. Adderley

/s/ Gerald S. Adolph

Gerald S. Adolph

/s/ George S. Corona

George S. Corona

/s/ Robert S. Cubbin

Robert S. Cubbin

/s/ Amala Duggirala

Amala Duggirala

/s/ Jane E. Dutton

Jane E. Dutton

/s/ InaMarie F. Johnson

InaMarie F. Johnson

/s/ Terrence B. Larkin

Terrence B. Larkin

/s/ Leslie A. Murphy

Leslie A. Murphy

CERTIFICATIONS

I, Peter W. Quigley, certify that:

1. I have reviewed this annual report on Form 10-K of Kelly Services, 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(s) 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(s) 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 the registrant's board of directors (or persons performing the equivalent functions):
 - (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.

Date: February 17, 2022

/s/ Peter W. Quigley
Peter W. Quigley

President and
Chief Executive Officer

CERTIFICATIONS

I, Olivier G. Thirot, certify that:

1. I have reviewed this annual report on Form 10-K of Kelly Services, 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(s) 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(s) 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 the registrant's board of directors (or persons performing the equivalent functions):
 - (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.

Date: February 17, 2022

/s/ Olivier G. Thirot

Olivier G. Thirot

Executive Vice President and
Chief Financial Officer

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Kelly Services, Inc. (the “Company”) on Form 10-K for the period ended January 2, 2022 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Peter W. Quigley, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 17, 2022

/s/ Peter W. Quigley
Peter W. Quigley

President and
Chief Executive Officer

A signed original of this written statement required by Section 906 has been provided to Kelly Services, Inc. and will be retained by Kelly Services, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Kelly Services, Inc. (the “Company”) on Form 10-K for the period ended January 2, 2022 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Olivier G. Thiot, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 17, 2022

/s/ Olivier G. Thiot
Olivier G. Thiot

Executive Vice President and
Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to Kelly Services, Inc. and will be retained by Kelly Services, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

Corporate Information

BOARD OF DIRECTORS

Donald R. Parfet
*Chairman of the Board
Managing Director
Apjohn Group, LLC*

Peter W. Quigley
*President and
Chief Executive Officer*

Carol M. Adderley
*Writer and Researcher
in the Humanities*

Gerald S. Adolph
*Retired Senior Partner
Strategy & M&A
Booz & Co.*

George S. Corona
*Retired President and
Chief Executive Officer
Kelly Services, Inc.*

Robert S. Cubbin
*Retired President and
Chief Executive Officer
Meadowbrook Insurance Group, Inc.*

Amala Duggirala
*Executive Vice President
and Chief Information Officer
United Services Automobile
Association (USAA)*

Jane E. Dutton
*Robert L. Kahn Distinguished
University Professor Emeritus
of Business Administration
and Psychology
The University of Michigan
Business School*

InaMarie F. Johnson
*Former Chief People
and Diversity Officer
Zendesk, Inc.*

Terrence B. Larkin
*Retired Executive Vice President,
Business Development,
General Counsel and
Corporate Secretary
Lear Corporation*

Leslie A. Murphy, CPA
*President and
Chief Executive Officer
Murphy Consulting, Inc.*

EXECUTIVE OFFICERS

Peter W. Quigley
*President and
Chief Executive Officer*

Olivier G. Thiriot
*Executive Vice President
and Chief Financial Officer*

Peter M. Boland
*Senior Vice President
Chief Marketing Officer*

Amy J. Bouque
*Senior Vice President
Chief People Officer*

Tammy L. Browning
*Senior Vice President
President, Kelly OCG*

Timothy L. Dupree
*Senior Vice President
President, Kelly Professional
& Industrial*

Dinette Koolhaas
*Senior Vice President
President, Kelly International*

Daniel Hugo Malan
*Senior Vice President
President, Kelly Science,
Engineering, Technology
& Telecom*

Nicola M. Soares
*Senior Vice President
President, Kelly Education*

Vanessa P. Williams
*Senior Vice President
General Counsel
& Assistant Secretary*

CORPORATE HEADQUARTERS

999 West Big Beaver Road
Troy, Michigan 48084-4716
248.362.4444
kellyservices.com



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TRANSFER AGENT AND REGISTRAR

Computershare
P.O. Box 505000
Louisville, KY 40233

Overnight correspondence should be sent to:

Computershare
462 South 4th Street
Louisville, KY 40202
Toll Free (U.S. and Canada) **866.249.2607**
TDD for Hearing Impaired **800.952.9245**
Foreign TDD for Hearing Impaired **781.575.4592**
Foreign Stockholders **201.680.6578**
Website: www.computershare.com/investor

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

PricewaterhouseCoopers LLP
500 Woodward Avenue
Detroit, Michigan 48226

ANNUAL MEETING

The Annual Meeting of Stockholders will be held virtually on May 18, 2022 at 11:00 a.m. Eastern Daylight Time. You will be able to attend the Annual Meeting online by visiting kellyservices.com.

DIRECT STOCK PURCHASE AND DIVIDEND REINVESTMENT PLAN

Registered stockholders of Kelly's Class A common stock can purchase additional shares through the Direct Stock Purchase and Dividend Reinvestment Plan. For more information about the plan or to enroll, visit kellyservices.com.

ADDITIONAL INFORMATION

For more information, including financial documents such as annual reports, Form 10-Ks, and copies of the Company's Code of Business Conduct and Ethics, contact:
James M. Polehna
*Chief Investor Relations Officer
& Corporate Secretary*
Kelly Services, Inc.
999 West Big Beaver Road
Troy, Michigan 48084-4716
248.244.4586

STOCK LISTINGS

Kelly Services Class A and Class B common stock trade on the NASDAQ Global Select MarketSM under the symbols: KELYA and KELYB.



999 West Big Beaver Road
Troy, Michigan 48084-4716
248.362.4444
kellyservices.com