KELLY SERVICES

CONNECTING PEOPLE. ENRICHING LIVES.

2017 ANNUAL REPORT

CORPORATE **PROFILE**

As the founder of the staffing industry, Kelly has been connecting the world's best companies and most talented people for the past seven decades. Small and large businesses alike trust our expertise in providing solutions that span the entire spectrum of staffing, outsourcing, and consulting. We're proud of our heritage of innovation, and we continue to recognize people for their unique talents every day.

Our values are built on a tradition of integrity, quality, and service excellence — keys to the long-standing relationships we create with customers, employees, suppliers, and the communities in which we live and work. Kelly has three operating segments: Americas Staffing; International Staffing; and Global Talent Solutions, which also provides outsourcing & consulting in APAC. We offer both commercial and professional & technical staffing on a temporary, temporary-to-hire, and direct-hire basis in positions at all levels of finance, engineering, law, education, accounting, information technology, science, creative services, office, and light industrial specialties.

We provide comprehensive workforce management solutions globally through our outsourcing and consulting group, KellyOCG®, including customized contingent, recruitment, and business process outsourcing solutions, as well as outplacement and advisory services. Given the worldwide span of our workers, clients, suppliers, and partners, we recognize the global impact of our business practices and our social responsibility.

IN 2017, Kelly directly employed nearly 500,000 people around the world in addition to having a role in connecting hundreds of thousands more with work through our global network of talent suppliers and partners. Revenue in 2017 totaled $5.4 billion. More information can be found at kellyservices.com, or connect with us on Facebook, LinkedIn, or Twitter.

BY THE **NUMBERS**

REVENUE
$5.4 billion

GROSS PROFIT
17.8 percent

EXPENSES
$870.8 million

EARNINGS FROM OPS
$83.3 million

EPS
$1.81

ROS (from operations)
1.5 percent

AMERICAS STAFFING REVENUE
$2.3 billion

GLOBAL TALENT SOLUTIONS REVENUE
$2.0 billion

INTERNATIONAL STAFFING REVENUE
$1.1 billion

TO OUR **SHAREHOLDERS**

2017 was a year of change and acceleration at Kelly. We created solid momentum and carried it through all four quarters, delivering strong top-line growth that outpaced the market and profitability gains that held strong even as we invested in our future. We bid farewell to CEO Carl Camden after a 22-year career, and welcomed a new company, Teachers On Call, to the Kelly family. We weathered a series of storms and natural disasters unlike any we'd encountered before, standing strong together and caring for our colleagues and communities. We introduced new reporting segments, sharpened our focus, accelerated our investments, and established strategic priorities that yielded strong results for Kelly.

DELIVERING RESULTS

After entering the year at a steady clip, Kelly drove forward with sustained growth quarter after quarter, achieving a 41% increase in annual operating earnings on a like-for-like basis. Our performance reflects our efforts to produce higher earnings from both gross profit growth and a balanced approach to expenses. Through a combination of strong top-line growth and good GP rate improvement, we delivered increased profitability even as we invested in the talent and technology that will drive our company forward. Our conversion rate* for 2017 was up 160 basis points to 9.0% (excluding restructuring), another clear indicator that confirms we are creating value along with driving volume.

REFOCUSING OUR STRATEGY

As the world of work continues to evolve, so too does Kelly's strategy. In 2017, we took a fresh look at the labor environment and defined a path that is at once familiar and ambitious.

Our go-forward strategy is our response to the external realities shaping our industry and the world at large. Talented people are embracing new ways to work. Modern businesses are looking for ways to adapt and find the talent they need to move their organizations forward. Kelly is staking its claim as the connection point in a marketplace marked by disruption. Our go-forward strategy is designed to help our candidates, our clients, and our company not only withstand those disruptions, but turn them to advantages. In so doing, we will be able to deliver improved shareholder value and returns from a business that is focused on its strengths and committed to leading where we know we can win.

Our plan centers on four strategic pillars:

- Being the destination for top talent
- Leading in our chosen markets via scale or specialty
- Embracing the future of work
- Investing in technology for innovation and efficiency

In 2017, we began aligning our actions to these guideposts, which will inform Kelly's journey and investment decisions over the next several years. Taken in concert, these focus areas complement each other and drive Kelly forward into a future where we are not only more profitable, but also better able to fulfill our mission to connect people with work in ways that enrich their lives.

ACCELERATING ACROSS ALL SEGMENTS

With our APAC joint venture fully in place, we entered 2018 with reporting segments that reflected our new operating reality: Americas Staffing, International Staffing, and Global Talent Solutions.

Letter to Shareholders continues on page 4

Conversion rate represents earnings from operations as a percentage of gross profit, or return on gross profit.

BEING THE DESTINATION FOR **TOP TALENT**

At its core, Kelly has always been a people company. We are making new investments that reaffirm the central role talent plays in our future, and taking meaningful steps to attract and advocate for talent in the changing world of work.

CONNECTING PEOPLE **TO WO**

EMBRACING THE **FUTURE OF WORK**

How, where, and why people work is changing fast, driven by technology and trends that are disrupting businesses and fueling the independent workforce. Kelly is committed to be on the leading edge of these trends, and we are investing accordingly.

LEADING IN OUR CHOSEN MARKETS VIA **SCALE OR SPECIALTY**

True to our "Kelly Girl" legacy, we want to be known as the best, THE place to go if you're a customer looking for the best talent solution, or talent looking for the best opportunities in your profession. We are committed to playing where we know we can win and make the biggest difference, and will pursue organic and inorganic growth to make that happen.

RK AND **ENRICHING LIVES.**

INVESTING IN TECHNOLOGY FOR **INNOVATION AND EFFICIENCY**

Technology is transforming how work gets done and creating new opportunities for talent and businesses alike. We will accelerate our investments to leverage technology for the benefit of our talent, customers, suppliers, and Kelly itself. Our current transition to a digital talent platform for recruitment is just one example of how we are investing in the technology of tomorrow.

Continued from page 1

Growth in Americas Staffing increased as the investments we made in recruiters and sales resources during the first half of the year fueled results in all areas. The second half of the year brought additional acceleration as we completed the acquisition of Teachers On Call to further strengthen Kelly's leading position in K–12 educational staffing — a clear example of investing where we know we can win, and a notable milestone of our strategy in action. With steadily climbing revenue growth and a marked improvement in GP rates, Americas Staffing delivered an 18% increase in full-year operating profit (excluding restructuring). International Staffing, now comprised of our European staffing operations, added another strong finish to the year. For the full year, International Staffing achieved 44% growth in earnings from operations (in constant currency).

Global Talent Solutions—the combination of our previously reported Outsourcing and Consulting Group segment plus our centrally delivered staffing operations—delivered results from our 2016 investments and turned in strong double-digit growth in 2017. As large clients continue to turn to Kelly for Talent Fulfillment and Outcome-Based Solutions, Global Talent Solutions is delivering the proven expertise and capabilities our clients seek. For the full year, the segment achieved a 35% increase in earnings from operations over 2016 (excluding restructuring).

ADVANCING TALENT & TECHNOLOGY

Nothing is reshaping work more rapidly or precipitously than technology. We believe the digitally powered future is one of boundless opportunity for the people we serve. Our optimism is rooted in a legacy rich in innovation and forward progress. At our inception, we ushered in a newly mobile workforce, and as work evolved, we have equipped and empowered people to meet the needs of a changing marketplace.

As work is reinvented, our evolution continues. Technology, talent, and work itself are all going mobile — untethering new generations to define work on their own terms, as something they do, not someplace they go. By executing our go-forward strategy, we will continually assess where we apply our investments to make the biggest difference, the largest contribution to the people and companies who are powering the world forward. Digital transformation will also involve reimagining our business models, engineering new solutions, and continually sharpening our focus. We will enable meaningful freedom of choice in the world of work, equipping people to bring their skills to the market as independent workers, honoring their priorities, advancing their careers, and enriching their lives.

MOVING FORWARD WITH CLARITY AND CONFIDENCE

We entered 2018 with renewed focus and clear plans to accelerate the progress we have set in motion. As we look with confidence at the year ahead, we are committed to investing in the talent and technology that will drive our future. We are focusing on our strengths, accelerating our investments where we know we can win, and leveraging technology to connect with talent like never before.

I'm proud to stand alongside my Kelly colleagues as we face the future together with renewed confidence, increased clarity, and a deepened connection to the talent that has always been at the heart of our business.

GEORGE S. CORONA
President and Chief Executive Officer
March 2018

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

FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the fiscal year ended December 31, 2017
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)	(IRS Employer Identification Number)
999 West Big Beaver Road, Troy, Michigan	48084
(Address of Principal Executive Office)	(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	Name of each exchange on which registered
Class A Common	NASDAQ Global Market
Class B Common	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 [X]

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 [X]

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 [X] 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 [X] No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

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 [ ]	Accelerated filer [X]
Non-accelerated filer [ ] (Do not check if a smaller reporting company)	Smaller reporting company [ ]
Emerging growth company [ ]	

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 is a shell company (as defined in Rule 12b-2 of the Act). Yes [ ] No [X]

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 $699,819,783.

Registrant had 34,997,715 shares of Class A and 3,431,862 of Class B common stock, par value $1.00, outstanding as of February 6, 2018.

Documents Incorporated by Reference

The proxy statement of the registrant with respect to its 2018 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 R. Kelly in 1946, Kelly Services® pioneered an industry that connects people with work in ways that enrich their lives. At our inception we helped usher in and embolden a workforce of women, opening doors and creating opportunities where none had existed. As work evolved we equipped people with the skills to master the technologies of the day: launching the first-of-its-kind online learning center for scientists; creating testing & training packages for new office programs; and launching skill builders to align with new light industrial protocols. With each advance we have empowered people to meet the needs of a changing marketplace, and enabled companies to access skilled talent that can move their businesses forward.

As work has evolved so has our range of solutions, growing over the years to reflect the changing needs of our customers and the changing nature of work itself. We have progressed from a United States-based company concentrating primarily on traditional office staffing into a workforce solutions leader delivering expertise in a number of specialty services. While ranking as one of the world's largest scientific staffing providers, we also place professional and technical employees at all levels in engineering, IT, law and finance. These specialty services complement our expertise in office services, contact center, light industrial and electronic assembly staffing, as well as our leading position in the K-12 educational staffing market in the U.S. As work has evolved and workforce management has become more complex, we have also developed a talent supply chain management approach to help many of the world's largest companies plan for and manage their workforce. Innovative solutions supporting this approach span outsourcing, consulting, recruitment, talent advisory, career transition and vendor management services.

Geographic Breadth of Services

Headquartered in Troy, Michigan, Kelly provides workforce solutions to a diversified group of customers in three regions: the **Americas**; **Europe, the Middle East**, **and Africa ("EMEA")**; and **Asia Pacific ("APAC")**. Our customer base spans a variety of industries and includes 95 of the *Fortune 100*™ companies.

In 2017, we assigned nearly 500,000 temporary employees to a variety of customers around the globe.

Description of Business Segments

Our operations are divided into three principal business segments: **Americas Staffing**, Global Talent Solutions (**"GTS"**) and **International Staffing.** In July 2016, we expanded our joint venture with Persol Holdings (formerly Temp Holdings) to form PersolKelly Asia Pacific (the "JV") and moved our APAC staffing operations into the JV. In early 2017, we restructured components of our previous Americas Commercial, Americas Professional and Technical, and Outsourcing and Consulting Group segments under a single delivery organization, triggering a change in our operating structure. We now provide staffing through our branch networks in our Americas and International operations, with commercial and specialized professional/technical staffing businesses in each region. We also provide a suite of innovative talent fulfillment and outcome-based solutions through our GTS segment, which delivers integrated talent management solutions to meet customer needs across the entire spectrum of talent categories. Using talent supply chain strategies, GTS helps customers design, execute, and manage workforce programs that enable them to connect with talent across all work styles (full-time, contract, temporary, etc.), gain access to a vast network of service providers, and achieve their business goals on time and on budget.

Americas Staffing

Our Americas Staffing segment represents the Company's branch-delivered staffing business in the U.S., Puerto Rico, Canada, Mexico and Brazil. This segment delivers temporary staffing, as well as direct-hire placement services, in a number of specialty staffing services, including: *Office*, providing trained employees for data entry, clerical and administrative support roles across numerous industries; *Education*, supplying schools nationwide with instructional and non-instructional employees; *Marketing*, providing support staff for seminars, sales and trade shows; *Electronic Assembly*, providing assemblers, quality control inspectors and technicians; *Light Industrial*, placing maintenance workers, material handlers and assemblers; *Science*, providing all levels of scientists and scientific and clinical research workforce solutions; *Engineering*, supplying engineering professionals across all disciplines, including aeronautical, chemical, civil/structural, electrical/instrumentation, environmental, industrial, mechanical, petroleum, pharmaceutical, quality and telecommunications; *Information Technology*, placing IT

specialists across all disciplines; *Creative Services*, placing creative talent in the spectrum of creative services positions; *Finance and Accounting*, serving the needs of corporate finance departments, accounting firms and financial institutions with all levels of financial professionals; and *Law*, placing legal professionals including attorneys, paralegals, contract administrators, compliance specialists and legal administrators.

Our services allow customers and temporary staff the opportunity to evaluate their relationship before making a full-time employment decision. We also offer direct-hire placement services.

International Staffing

Our International Staffing segment represents the Company's branch-delivered staffing business in the EMEA region, as well as the Company's APAC region staffing business prior to the transaction to form the PersolKelly Asia Pacific joint venture in July 2016. International Staffing provides a similar range of staffing services as described for our Americas Staffing segment above, including: Office, Engineering, Finance and Accounting, Healthcare, IT and Science. Additional service areas include: *Catering and Hospitality*, providing chefs, porters and hospitality representatives; and *Industrial,* supplying manual workers to semi-skilled professionals in a variety of trade, non-trade and operational positions.

GTS

Our GTS segment combines the delivery structure of the Company's outsourcing and consulting group and centrally delivered staffing business. It reflects the trend of customers towards the adoption of holistic talent supply chain solutions which combine contingent labor, full-time hiring and outsourced services. Services in this segment include: Centrally delivered staffing for large accounts; *Contingent Workforce Outsourcing ("CWO")*, delivering contingent labor to customers using a managed service provider model; *Recruitment Process Outsourcing ("RPO")*, offering end-to-end talent acquisition solutions, including customized recruitment projects; *Business Process Outsourcing ("BPO")*, offering full staffing and operational management of non-core functions or departments; *Payroll Process Outsourcing ("PPO")*, providing centralized payroll processing solutions for our customers; *KellyConnect*, offering contact center staffing solutions which focus on delivering talent to a customer's physical call center; and *Kelly Legal Managed Services ("KLMS")*, delivering a full suite of legal managed review solutions to our customers. This segment also provides executive placement, career transition/outplacement services and talent advisory services.

Financial information regarding our industry 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

Kelly's philosophy is rooted in our conviction that our business can and does make a difference on a daily basis—for our customers, in the lives of our employees and talent networks, in the local communities we serve and in the broader economy. We aspire to be a destination for top talent and a strategic business partner for our customers. Our solutions are designed to connect with talent across targeted specialties and flexible work styles, and to offer customers access to workforce solutions that can be customized to any scope or scale as they seek to operate more efficient, competitive organizations. To achieve these goals, we will adopt forward-looking technologies and innovative business practices that can drive success in a dynamic market.

With more than one-third of the world's workforce now participating as independent workers, more companies are adopting strategies that recognize contingent labor, consultants and project-based work as keys to their ongoing success. We continue to refine our core competencies to help them connect with talent and realize their business objectives. Kelly offers world-class staffing on a temporary and direct placement basis, as well as a comprehensive array of outsourcing, consulting and talent advisory services. Kelly will continue to target our areas of investment and expertise to solve our customers' workforce challenges and create opportunity for talent in the changing marketplace.

Business Operations

Service Marks

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

Seasonality

Our quarterly operating results are affected by the seasonality of our customers' businesses. Demand for staffing services historically has been lower during the first quarter, and typically increases during the remainder of the year.

Working Capital

Our working capital requirements are primarily generated from temporary employee payroll and customer accounts receivable. Since receipts from customers generally lag payroll to temporary employees, working capital requirements increase substantially in periods of growth.

Customers

Kelly's client portfolio spans companies of all sizes, ranging from local and mid-sized businesses to the Fortune 500. In 2017, an estimated 52% of total Company revenue was attributed to 100 large customers. Our largest single customer accounted for approximately five percent of total revenue in 2017.

Government Contracts

Although we conduct business under various federal, state, and local government contracts, no single one accounts for more than three percent of total Company revenue in 2017.

Competition

The worldwide temporary staffing industry is competitive and highly fragmented. In the United States, approximately 100 competitors operate nationally, and approximately 10,000 smaller companies compete in varying degrees at local levels. Additionally, several similar staffing companies compete globally. In 2017, our largest competitors were Adecco S.A., Randstad Holding N.V., ManpowerGroup Inc., Allegis Group and Recruit Holdings.

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, competent talent, and our ability to recruit, screen, train, retain and manage a pool of employees who match the skills required by particular customers. During an economic downturn, we must balance competitive pricing pressures with the need to retain a qualified workforce. Price competition in the staffing industry is intense, particularly for office clerical and light industrial personnel, and pricing pressure from customers and competitors continues to be significant.

Breadth of service, or ability to manage staffing suppliers, has become more critical as customers seek a single supplier to manage all their staffing needs. Kelly's talent supply chain management approach seeks to address this requirement for our larger customers, enabling us to deliver talent wherever and whenever they need it around the world.

Environmental Concerns

Because we are involved in a service business, federal, state or local laws that regulate the discharge of materials into the environment do not materially impact us.

Employees

We employ approximately 1,100 people at our corporate headquarters in Troy, Michigan, and approximately 6,700 staff members in our U.S. and international network of branch offices. In 2017, we assigned nearly 500,000 temporary employees to a variety of customers around the globe.

While services may be provided inside the facilities of customers, we remain the employer of record for our temporary employees. We retain responsibility for employee assignments, the employer's share of all applicable payroll taxes and the administration of the employee's share of these taxes.

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 public may read and copy any of the reports that are filed with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also 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 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.

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. While the majority of our competitors are significantly smaller than us, several competitors, including Adecco S.A., Randstad Holding N.V., ManpowerGroup Inc., Allegis Group and Recruit Holdings, 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 and light industrial 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.

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. Significant swings in economic activity historically have had a disproportionate impact on staffing industry volumes. 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.

Technological advances may significantly disrupt the labor market and weaken demand for human capital at a rapid rate.

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 as a whole, particularly in lower-skill job categories that may be more susceptible to such replacement.

We may not achieve the intended effects of our business strategy.

Our business strategy focuses on driving growth in higher margin specialties. We have made targeted investments, adjusted our operating models and increased the resources necessary for driving sustainable growth within our targeted higher-margin solutions. If we are unsuccessful in executing our strategy, we may not achieve either our stated goal of strong revenue growth or the intended productivity improvements, which could negatively impact profitability.

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 Kelly Educational Staffing product is particularly susceptible to this exposure. An occurrence that damages Kelly's reputation could cause the loss of current and future customers, additional regulatory scrutiny and liability to third parties.

Our intellectual property assets could be infringed upon or compromised, and there are limitations to our ability to protect against such events.

Our success is dependent in part on our proprietary business processes, our intellectual property and our thought leadership. To protect those rights, we depend upon protections afforded by the laws of the various countries in which we operate, as well as contractual language and our own enforcement initiatives. These defenses may not be sufficient to fully protect us or to deter infringement or other misappropriation of our trade secrets and other intellectual property. In addition, third parties may challenge the validity or enforceability of our intellectual property rights. We also face the risk that third parties may allege that the operation of our business infringes or otherwise misappropriates intellectual property rights that they own or license. Losses or claims of this nature could cause us to incur significant expense, harm our reputation, reduce our competitive advantages or prevent us from offering certain services or solutions. The remedies available to us may be limited or leave us without full compensation.

If we fail to successfully develop new service offerings, we may be unable to retain our current customers and gain new customers and our revenues would decline.

The process of developing new service offerings requires accurate anticipation of customers' changing needs and emerging technological trends. This may require that we make long-term investments and commit significant resources before knowing whether these investments will eventually 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 be weakened and that could materially adversely affect our results of operations and financial condition.

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

Our business strategy focuses on growing our outsourcing and consulting business, including business process outsourcing, 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. Although we have internal vetting processes intended to control such risks, there is no assurance that these processes will be effective. Additionally, while 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.

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

We do not maintain our own vendor management technology, and we have outsourced certain other critical applications or business processes to external providers, including cloud-based services. We have elected to enter into supplier partnerships rather than establishing or maintaining our own operations in some of the territories where our customers require our services. We do not maintain a controlling interest in our expanded staffing joint venture in Asia Pacific (PersolKelly Asia Pacific) and have elected to rely on the joint venture to provide certain back office and administrative services to our GTS operations in the 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.

Past and future acquisitions may not be successful.

From time to time, we acquire and invest in companies throughout the world. 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, the potentially 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. Potential impairment losses could result if we overpay for an acquisition. There can be no assurance that any past or future acquired businesses will generate anticipated revenues or earnings.

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 investments with strategic partners, including PersolKelly Asia Pacific. 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.

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

Our business strategy is focused on serving large corporate customers through high volume global service agreements. While our strategy is intended to enable us to increase our revenues and earnings from our major corporate customers, the strategy also exposes us to increased risks arising from the possible loss of major customer accounts. 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. 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 outsourced workforce solutions. 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 with the adoption of talent supply chain strategies, including providing CWO services within our GTS segment, we may not be selected or retained as the CWO service provider by our large customers. This may result in a material decrease in the revenue we derive from providing staffing services to such customers.

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 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 most 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;
- 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 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.

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

As we aim to expand the number of clients adopting talent supply chain management and other complex solutions in order to support our growth strategy, we are highly reliant on individuals who possess specialized knowledge and skills to lead complex solutions and operations. There can be no assurance that qualified personnel will continue to be available. Our success is increasingly dependent on our ability to attract, develop and retain these experts.

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. 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.

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

In the normal course of business we control, we 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 our employees and candidates 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. Any failure 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 including loss of our status as a subscriber to the EU-U.S. Privacy Shield Framework, reputational damage and loss of customers or employees. Although we have a program designed to preserve the privacy 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.

Cyber attacks 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 cyber attacks, which may include the use of malware, computer viruses, social engineering schemes and other means of attempted disruption or unauthorized access.

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, 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 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.

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

Many business processes critical to our continued operation are housed in our data center situated within the corporate headquarters complex as well as regional data centers in Asia-Pacific and Europe. Those processes include, but are not limited to, payroll, customer reporting and order management. While we have taken steps to protect these operations and have developed remote recovery capabilities, the loss of a data center would create a substantial risk of business interruption which could have a material adverse effect on our business, financial condition and results of operations.

Our information technology projects may not yield their intended results.

We have a number of information technology projects in process or in the planning stages, including improvements to applicant onboarding and tracking systems, order management, and improvements to financial processes such as billing and accounts

payable through system consolidation and upgrades. Although the technology is intended to increase productivity and operating efficiencies, these projects 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. In addition, our information technology investments and strategy may not provide the ability to keep up with evolving industry trends and customer expectations which could weaken our competitive position. We also do not currently utilize a single enterprise resource planning system, which limits our ability and increases the amount of investment and effort necessary to provide global service integration to our customers.

Failure to maintain adequate financial and management processes and controls could lead to errors in our financial reporting.

Failure to maintain adequate financial and management processes and controls could lead to errors in our financial reporting. If our management is unable to certify the effectiveness of our internal controls or if our independent registered public accounting firm cannot render an opinion on the effectiveness of our internal controls over financial reporting, or if material weaknesses in our internal controls are identified, we could be subject to regulatory scrutiny and a loss of public confidence. In addition, if we do not maintain adequate financial and management personnel, processes and controls, we may not be able to accurately report our financial performance on a timely basis, which could have a negative effect on our stock price.

Impairment charges relating to our goodwill, intangibles and long-lived assets, including equity method investments, could adversely affect our results of operations.

We regularly monitor our goodwill, long-lived assets and equity method investments for impairment indicators. In conducting our goodwill impairment testing, we compare the fair value of each of our reporting units with goodwill to the related net book value. In conducting our impairment analysis of long-lived assets and intangibles, we compare the undiscounted cash flows expected to be generated from the long-lived assets and intangibles to the related net book values. We review our equity method investment for indicators of impairment on a periodic basis or whenever events or circumstances indicate the carrying amount may be other-than-temporarily impaired. Changes in economic or operating conditions impacting our estimates and assumptions could result in the impairment of our goodwill, intangibles, long-lived assets and equity method investments. 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.

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.

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.

Government litigation and regulatory activity relating to competition rules 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. Any government regulatory actions may hamper our ability to provide the cost-effective benefits to consumers and businesses, reducing the attractiveness of our services and the revenue 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.

We may have additional tax or unclaimed property liabilities that exceed our estimates.

We are subject to a multitude of federal, state and local 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. We are also subject to unclaimed or abandoned property (escheat) laws. 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 demographics of our workforce and the 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 and unclaimed property 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.

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 2017, 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), may not 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. 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.

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

Terence E. Adderley, the Executive Chairman and Chairman of the Board of our board of directors, and certain trusts with respect to which he acts as trustee or co-trustee, control approximately 93% of the outstanding shares of Kelly Class B common stock, which is the only class of our common stock entitled to voting rights. Mr. Adderley is 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 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" by virtue of the fact that Terence E. Adderley, the Executive Chairman and Chairman of the Board of our board of directors, and certain trusts of which he acts as trustee or co-

trustee have 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 Securities and Exchange Commission 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 certain of 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 stock holders 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.

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.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

None.

ITEM 2. PROPERTIES.

We own our headquarters in Troy, Michigan, where corporate, subsidiary and divisional offices are currently located. The original headquarters building was purchased in 1977. Headquarters operations were expanded into additional buildings purchased in 1991, 1997 and 2001.

The combined usable floor space in the headquarters complex is approximately 345,000 square feet. Our buildings are in good condition and are currently adequate for their intended purpose and use. We also own undeveloped land in Troy and northern Oakland County, Michigan.

Branch office business is conducted in leased premises with the majority of leases being fixed for terms of generally three to five years in the U.S. and Canada and five to ten years outside the U.S. and Canada. We own virtually all of the office furniture and the equipment used in our corporate headquarters and branch offices.

ITEM 3. LEGAL PROCEEDINGS.

In the ordinary course of business the Company is the subject of, or party to, various pending or threatened legal actions which could result in a material adverse outcome for which the related damages may not be estimable. As previously disclosed, the Company entered into a settlement with plaintiffs in Hillson et. al. v Kelly Services in order to avoid the cost of continued litigation. On August 17, 2017, the District Court approved the settlement and entered a Final Order of Judgment and Dismissal. The Company made the final payment, which was accrued in 2015, on September 19, 2017.

In addition, the Company is continuously engaged in litigation or investigations arising in the ordinary course of its business, such as matters alleging employment discrimination, wage and hour violations, or violations of privacy rights or anti-competition regulations. There are matters that are currently stayed pending a decision from the Supreme Court of the United States on whether the Company's arbitration provision is enforceable. We record accruals for loss contingencies when we believe it is probable that liability has been incurred and the amount of loss can be reasonably estimated. Such accruals are recorded in accounts payable and accrued liabilities on the consolidated balance sheet. 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.

In January 2018, the Hungarian Competition Authority initiated proceedings against the Company, along with a local industry trade association and its members, due to alleged infringement of national competition regulations. We are fully cooperating with the investigation, and are supplying materials and information to comply with the Authority's undertakings. 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
2017					
Class A common					
High	$ 23.48	$ 24.70	$ 25.48	$ 30.93	$ 30.93
Low	20.87	20.27	21.01	24.69	20.27
Class B common					
High	23.00	23.75	23.00	28.50	28.50
Low	20.30	20.18	20.95	27.20	20.18
Dividends	0.075	0.075	0.075	0.075	0.30
2016					
Class A common					
High	$ 19.73	$ 20.15	$ 20.98	$ 23.61	$ 23.61
Low	14.63	17.81	18.01	18.06	14.63
Class B common					
High	18.04	20.00	21.60	27.80	27.80
Low	15.43	15.04	17.23	17.75	15.04
Dividends	0.05	0.075	0.075	0.075	0.275

Holders

The number of holders of record of our Class A and Class B common stock were approximately 6,600 and 200, respectively, as of February 2, 2018.

Recent Sales of Unregistered Securities

None.

Issuer Purchases of Equity Securities

During the fourth quarter of 2017, we reacquired shares of our Class A common stock as follows:

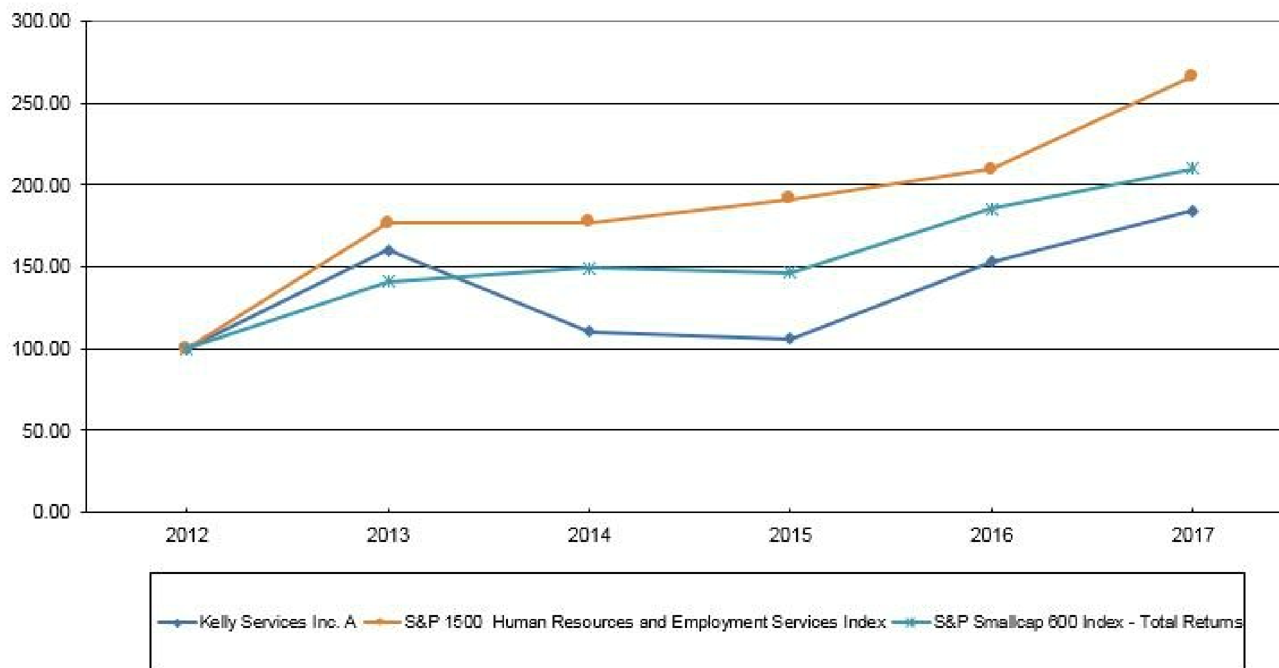
Period	Total Number of Shares (or Units) Purchased	Average Price Paid per Share (or Unit)	Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares (or Units) That May Yet Be Purchased Under the Plans or Programs
				(in millions of dollars)
October 2, 2017 through November 5, 2017	845	$ 26.31	—	$ —
November 6, 2017 through December 3, 2017	289	29.36	—	—
December 4, 2017 through December 31, 2017	—	—	—	—
Total	1,134	$ 27.09	—	

We may reacquire shares sold to cover taxes due upon the vesting of restricted stock held by employees. Accordingly, 1,134 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, 2017. The graph assumes an investment of $100 on December 31, 2012 and that all dividends were reinvested.

COMPARISON OF FIVE YEAR CUMULATIVE TOTAL RETURN
Assumes Initial Investment of $100
December 31, 2012 – December 31, 2017



	2012	2013	2014	2015	2016	2017
Kelly Services, Inc.	$ 100.00	$ 160.17	$ 110.53	$ 106.17	$ 152.98	$ 184.46
S&P SmallCap 600 Index	$ 100.00	$ 141.31	$ 149.45	$ 146.50	$ 185.40	$ 209.94
S&P 1500 Human Resources and Employment Services Index	$ 100.00	$ 176.48	$ 177.11	$ 191.21	$ 209.27	$ 266.36

ITEM 6. SELECTED FINANCIAL DATA.

The following table summarizes selected financial information of Kelly Services, Inc. and its subsidiaries for each of the most recent five fiscal years. This table should be read in conjunction with the other financial information, including "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements included elsewhere in this report. The statement of earnings data for the 2014 and 2013 fiscal years as well as the balance sheet data as of 2015, 2014 and 2013 are derived from consolidated financial statements previously on file with the SEC.

(In millions except per share amounts)	2017	2016	2015 [1]	2014	2013
Revenue from services	$ 5,374.4	$ 5,276.8	$ 5,518.2	$ 5,562.7	$ 5,413.1
Earnings from operations	83.3	63.2	53.8	23.7	58.9
Gain on investment in PersolKelly Asia Pacific [2]	—	87.2	—	—	—
Net earnings	71.6	120.8	53.8	23.7	58.9
Basic earnings per share	1.84	3.10	1.39	0.61	1.54
Diluted earnings per share	1.81	3.08	1.39	0.61	1.54
Dividends per share					
Classes A and B common	0.30	0.275	0.20	0.20	0.20
Working capital [3]	458.1	443.5	411.3	428.1	474.5
Total assets	2,376.3	2,028.1	1,939.6	1,917.9	1,798.6
Total noncurrent liabilities	300.5	245.0	228.4	224.1	214.0

(1) Fiscal year included 53 weeks.

(2) Represents the fair value of the Company's investment in PersolKelly Asia Pacific in addition to the cash received less the carrying value of assets transferred to the joint venture.

(3) Working capital is calculated as current assets minus current liabilities.

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

Executive Overview

The Workforce Solutions Industry

The staffing industry has changed dramatically over the last decade—transformed by globalization, automation, competitive consolidation and secular shifts in labor supply and demand. Global employment trends are reshaping and redefining traditional employment models, sourcing strategies and human resource capability requirements. In response, the industry has accelerated its evolution from commercial into specialized staffing, and has expanded into outsourced solutions.

The broader workforce solutions industry has continued to evolve to meet businesses’ growing demand for total workforce solutions. As clients’ workforce solutions strategies move up the maturity model, use of a talent supply chain management approach, which seeks to manage all categories of talent (temporary, project-based, outsourced and full-time), represents significant market potential.

Strategic clients are increasingly looking for global, flexible and holistic talent solutions that encompass all worker categories, driving adoption of a talent supply chain management approach covering temporary staffing, Contingent Workforce Outsourcing (“CWO”), Recruitment Process Outsourcing (“RPO”), Business Process Outsourcing (“BPO”), independent contractor management, strategic workforce planning, talent advisory services and more. Across all regions, the structural shifts toward higher-skilled, project-based specialized talent continue to represent long-term opportunities for the industry.

Our Business

Kelly Services is a global workforce solutions company, serving customers of all sizes in a variety of industries. In early 2017, we restructured components of our previous Americas Commercial, Americas PT and OCG segments under a single delivery organization, triggering a change in our operating structure. We now provide staffing through our branch networks in our Americas and International operations, with commercial and specialized professional/technical staffing businesses in the Americas and Europe, respectively. In July 2016, we moved our APAC staffing operations into our expanded joint venture with Persol Holdings (formerly Temp Holdings), PersolKelly Asia Pacific (the “JV”), enabling us to more efficiently provide staffing solutions to customers throughout the APAC region via the JV. We also provide a suite of innovative talent fulfillment and outcome-based solutions through our Global Talent Solutions (“GTS”) segment, which delivers integrated talent management solutions to meet customer needs across the entire spectrum of talent categories. Using talent supply chain strategies, GTS helps customers plan for, manage and execute their acquisition of contingent labor, full-time labor and free agents, and gain access to service providers and quality talent at competitive rates with minimized risk.

We earn revenues from the hourly sales of services by our temporary employees to customers, as a result of recruiting permanent employees for our customers, and through 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., but is 55 days on a global basis as of the 2017 year end. Since receipts from customers generally lag temporary employee payroll, working capital requirements increase substantially in periods of growth.

Our Strategy and Outlook

Our long-term strategic objective is to create shareholder value by delivering a competitive profit from the best workforce solutions and talent in the industry. To achieve this, we are focused on the following key areas:

- Continue to build our core strengths in branch-delivered staffing in key markets where we have scale or specialization;
- Maintain our position as a market-leading provider of talent management solutions in our GTS segment; and
- Lower our costs through deployment of efficient service delivery models.

2017 was a year of strategic and operational progress that demonstrated our commitment to profitable growth. We delivered solid top-line growth and increasing earnings, even as we invested in our future. Early in the year, we reorganized our operating segments and restructured to create a more efficient and focused delivery organization. We invested in our Americas Staffing and International Staffing operations by adding additional sales and recruiting talent. In GTS, we are exercising price discipline and are continuing to invest in higher margin outcome-based and outsourcing solutions that align with market demands. In September 2017, we completed our acquisition of Teachers On Call, which exemplifies our commitment to focus

and grow in solutions where we see outsized market potential. And finally, we are accelerating investment in initiatives to enhance technology and process automation. Our 2017 results confirm our growth strategy:

- Earnings from operations for the full year of 2017 totaled $83.3 million compared to $63.2 million in 2016

- We delivered gross profit growth of more than 5%, or nearly 9% when excluding our APAC staffing operations from the first half of 2016, and our gross profit rate increased 60 basis points to 17.8%

- Conversion rate, or return on gross profit, continues to be a key metric to measure our drive for profitable growth. Our 2017 conversion rate was 8.7% compared to 7.0% in 2016

- Cash from operating activities and free cash flow generation increased year over year

Kelly continues to focus on accelerating the execution of our strategy and making the necessary investments and adjustments to advance that strategy. We have set our sights on becoming an even more competitive, consultative and profitable company, and we are reshaping our business to make that vision a reality. We will measure our progress against both revenue and gross profit growth, as well as earnings and conversion rate. The goals we have established are based on the current economic and business environment, and may change as conditions warrant. We expect:

- To grow higher margin professional and technical specialty and outsourced solutions, creating a more balanced portfolio that yields benefits from an improved mix;

- To build on our core strength in branch-delivered staffing;

- To accelerate our ongoing investments in specialty solutions with significant growth opportunities, such as our acquisition of Teachers On Call to augment our Kelly Educational Staffing business in the U.S.;

- To deliver structural improvements in costs through investments in technology and process automation that ensure a return from our delivery infrastructure and, as a result;

- Our conversion rate to continue to improve.

Looking ahead, we are keeping a watchful eye on the global market while anticipating an increasing demand for skilled workers. We know that companies are relying more heavily on the use of flexible staffing models; there is growing acceptance of shifting work styles and contractual employment by companies and talent alike; and companies are seeking more comprehensive workforce management solutions that lend themselves to Kelly's wide range of human resources solutions. This shift in demand for contingent labor and strategic solutions plays to our strengths and experience.

Financial Measures

The constant currency ("CC") change amounts in the following tables refer to the year-over-year percentage changes resulting from translating 2017 financial data into U.S. dollars using the same foreign currency exchange rates used to translate financial data for 2016. 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 expenses ("SG&A") 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.

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

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 (net sales excluding secondary supplier expense for a rolling three-month period) into trade accounts receivable, net of allowances at the period end.

Staffing Fee-Based Income

Staffing fee-based income, which is included in revenue from services in the following tables, has a significant impact on gross profit rates. There are very low direct costs of services associated with staffing fee-based income. Therefore, increases or decreases in staffing fee-based income can have a disproportionate impact on gross profit rates.

Results of Operations
2017 versus 2016

Total Company
(Dollars in millions)

	2017	2016	Change	CC Change
Revenue from services	$ 5,374.4	$ 5,276.8	1.9%	1.3%
Gross profit	954.1	906.3	5.3	4.7
SG&A expenses excluding restructuring charges	868.4	839.7	3.4	3.0
Restructuring charges	2.4	3.4	(31.6)	(31.2)
Total SG&A expenses	870.8	843.1	3.3	2.9
Earnings from operations	83.3	63.2	31.7	
Earnings from operations excluding restructuring charges	85.7	66.6	28.5	
Staffing fee-based income (included in revenue from services)	57.3	58.5	(2.2)	(3.7)
Gross profit rate	17.8%	17.2%	0.6 pts.	
Conversion rate	8.7	7.0	1.7	
Conversion rate excluding restructuring charges	9.0	7.4	1.6	
Return on sales	1.5	1.2	0.3	
Return on sales excluding restructuring charges	1.6	1.3	0.3	

Total Company revenue from services for 2017 was up 1.9% in comparison to the prior year on a reported basis, and up 1.3% on a CC basis. As more fully described in the following discussions, revenue increases in the Americas Staffing and GTS segments were partially offset by a decline in the International Staffing segment. During 2016, we transferred our APAC staffing businesses for a 49% interest in the PersolKelly Asia Pacific joint venture, which is accounted for as an equity method investment, resulting in the decrease in International Staffing segment revenue.

The gross profit rate increased 60 basis points year over year. As more fully described in the following discussions, increases in the GTS and Americas Staffing gross profit rates were partially offset by a decline in the gross profit rate in International Staffing.

Total SG&A expenses increased 3.3% on a reported basis and 2.9% on a CC basis. Year-over-year increases in SG&A expenses in Americas Staffing and GTS reflect higher incentive-based compensation in those segments, and were partially offset by a decrease in International Staffing SG&A expenses, as a result of the APAC transaction. Included in total SG&A expenses for 2017 are restructuring charges of $2.4 million, relating primarily to an initiative to optimize our GTS service delivery models. Included in total SG&A expenses for 2016 are restructuring charges of $3.4 million, which relate to actions taken in the Americas Staffing and International Staffing segments to increase operational efficiency and prepare the businesses for future growth.

Income tax expense for 2017 was $12.8 million, compared to $30.0 million for 2016. 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 non-taxable investments in life insurance policies that are used to fund nonqualified deferred compensation plans. 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. Income tax expense in 2017 included a $13.9 million charge to revalue net deferred tax assets due to the U.S. Tax Cuts and Jobs Act, which reduced the U.S. federal corporate income tax rate from 35% to 21%. This charge was offset by a benefit from tax-free income on life insurance policies, and a benefit from the release of valuation allowances in Norway, Germany and France. Income tax expense in 2016 included a $23.5 million charge from the gain on the investment in PersolKelly Asia Pacific, partially offset by a benefit from the release of valuation allowances in Italy. Both 2017 and 2016 benefitted from the work opportunity credit, which is a temporary provision in the U.S. tax law and expires for employees hired after 2019. While the work opportunity credit has routinely been extended, it is uncertain whether it will again be extended.

Americas Staffing
(Dollars in millions)

	2017	2016	Change	CC Change
Revenue from services	$ 2,345.9	$ 2,191.6	7.0%	6.8%
Gross profit	429.1	398.2	7.8	7.6
SG&A expenses excluding restructuring charges	346.0	327.6	5.7	5.5
Restructuring charges	0.4	1.8	(80.0)	(79.8)
Total SG&A expenses	346.4	329.4	5.2	5.0
Earnings from operations	82.7	68.8	20.0	
Earnings from operations excluding restructuring charges	83.1	70.6	17.5	
Gross profit rate	18.3%	18.2%	0.1 pts.	
Conversion rate	19.3	17.3	2.0	
Conversion rate excluding restructuring charges	19.3	17.7	1.6	
Return on sales	3.5	3.1	0.4	
Return on sales excluding restructuring charges	3.5	3.2	0.3	

The change in Americas Staffing revenue from services reflects a 7% increase in average bill rates, while hours volume was flat year over year. The increase in average bill rates was the result of wage increases and stronger revenue growth in our service lines with higher pay rates. Hours volume increases in the U.S. and Canada were offset by decreases in Mexico, Brazil and Puerto Rico. Americas Staffing represented 44% of total Company revenue in 2017 and 42% in 2016.

Revenue increased in educational staffing, which includes the impact of the September 2017 acquisition of Teachers On Call, light industrial, engineering, IT and science products.

The increase in the Americas Staffing gross profit rate was due to lower taxes and lower workers' compensation expense, partially offset by negative customer mix. We regularly update our estimates of open workers' compensation claims. As a result, we reduced our estimated costs of prior year workers' compensation claims in Americas Staffing by $2.4 million for 2017. This compares to an adjustment reducing prior year workers' compensation claims by $0.5 million for 2016.

Total SG&A expenses increased 5.2% year over year, due to higher performance-based compensation costs and additional sales and recruiting resources to capture growing demand in the last half of the year. Included in total SG&A expenses for 2016 are restructuring charges of $1.8 million, which represent severance costs related to headcount reductions as well as lease buyout costs due to branch consolidations.

GTS
(Dollars in millions)

	2017	2016	Change	CC Change
Revenue from services	$ 1,998.9	$ 1,977.1	1.1%	1.0%
Gross profit	373.7	345.9	8.1	7.9
SG&A expenses excluding restructuring charges	294.7	287.3	2.6	2.5
Restructuring charges	2.0	0.4	415.5	417.6
Total SG&A expenses	296.7	287.7	3.1	3.0
Earnings from operations	77.0	58.2	32.4	
Earnings from operations excluding restructuring charges	79.0	58.6	35.0	
Gross profit rate	18.7%	17.5%	1.2 pts.	
Conversion rate	20.6	16.8	3.8	
Conversion rate excluding restructuring charges	21.1	16.9	4.2	
Return on sales	3.9	2.9	1.0	
Return on sales excluding restructuring charges	4.0	3.0	1.0	

Revenue from services increased 1.1% in comparison to 2016. Revenue increases in KellyConnect, BPO and CWO practices were partially offset by declines in our centrally delivered staffing and payroll business. GTS revenue represented 37% of total Company revenue in 2017 and 38% in 2016.

The increase in the GTS gross profit rate was due to favorable product and customer mix, lower taxes and benefit costs, along with a decrease in workers' compensation costs.

Total SG&A expenses increased 3.1% from 2016. Included in total SG&A expenses for 2017 are restructuring charges of $2.0 million, representing severance relating to an initiative to optimize our service delivery models in this segment. The remaining cost increase is due to headcount and salary costs related to additional and expanding programs, coupled with additional performance-based incentive costs. These increases were partially offset by lower bad debt expense compared to higher write-offs for certain accounts in 2016.

International Staffing
(Dollars in millions)

	2017	2016	Change	CC Change
Revenue from services	$ 1,048.2	$ 1,127.1	(7.0)%	(9.0)%
Gross profit	153.7	166.4	(7.7)	(9.8)
SG&A expenses excluding restructuring charges	131.6	145.7	(9.8)	(11.6)
Restructuring charges	—	1.2	(100.0)	(100.0)
Total SG&A expenses	131.6	146.9	(10.4)	(12.2)
Earnings from operations	22.1	19.5	13.3	
Earnings from operations excluding restructuring charges	22.1	20.7	7.2	
Gross profit rate	14.7%	14.8%	(0.1) pts.	
Conversion rate	14.4	11.7	2.7	
Conversion rate excluding restructuring charges	14.4	12.4	2.0	
Return on sales	2.1	1.7	0.4	
Return on sales excluding restructuring charges	2.1	1.8	0.3	

International Staffing includes the Company's APAC region staffing business prior to the transaction to form the PersolKelly Asia Pacific joint venture in the third quarter of 2016, resulting in a 19% decrease in International Staffing revenue from services. This decrease, partially offset by a 9% increase in hours volume and 3% increase in average bill rates (flat on a CC basis) from our European operations, accounted for the change in revenue from services. The increase in hours volume was primarily due to increases in Portugal, France and Russia. International Staffing represented 20% of total Company revenue in 2017 and 21% in 2016.

The decline in the gross profit rate from 2016 is due to change in customer mix, partially offset by a one-time benefit related to French payroll tax adjustments.

Total SG&A expenses decreased 10.4% on a reported basis, due primarily to the transfer of the APAC staffing business, which resulted in a 16% decrease. This decrease was partially offset by a 5% increase in SG&A expenses related to continued investments in recruiters in the European branch network, and the effect of higher bad debt expense. Included in total SG&A expenses for 2016 are restructuring charges of $1.2 million. These charges reflect a repositioning of the operating model to pursue growth in staffing fee-based income and specialized temporary staffing business in Italy.

Results of Operations
2016 versus 2015

Total Company
(Dollars in millions)

	2016 (52 Weeks)	2015 (53 Weeks)	Change	CC Change
Revenue from services	$ 5,276.8	$ 5,518.2	(4.4)%	(3.2)%
Gross profit	906.3	920.3	(1.5)	(0.5)
SG&A expenses excluding restructuring charges	839.7	853.6	(1.6)	(0.7)
Restructuring charges	3.4	—	NM	NM
Total SG&A expenses	843.1	853.6	(1.2)	(0.3)
Earnings from operations	63.2	66.7	(5.2)	
Earnings from operations excluding restructuring charges	66.6	66.7	(0.1)	
Staffing fee-based income (included in revenue from services)	58.5	65.3	(10.3)	(8.3)
Gross profit rate	17.2%	16.7%	0.5 pts.	
Conversion rate	7.0	7.2	(0.2)	
Conversion rate excluding restructuring charges	7.4	7.2	0.2	
Return on sales	1.2	1.2	—	
Return on sales excluding restructuring charges	1.3	1.2	0.1	

Total Company results of operations for 2016 were impacted by the transfer of APAC region staffing businesses to the PersolKelly Asia Pacific joint venture in the third quarter of 2016.

Total Company revenue from services for 2016 was down 4.4% in comparison to the prior year on a reported basis, and down 3.2% on a CC basis due, in part, to the transfer of the APAC operations and as more fully described in the following discussions. In addition, the 2015 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 2015 revenue.

The gross profit rate increased 50 basis points year over year. The transfer of the APAC businesses, which had lower gross profit rates than the Company average, accounted for 10 basis points of the increase. Additionally, as more fully described in the following discussions, increases in the GTS and Americas Staffing gross profit rates were partially offset by a decline in the gross profit rate in International Staffing.

Total SG&A expenses decreased 1.2% on a reported basis and 0.3% on a CC basis. Included in SG&A expenses are restructuring charges of $3.4 million, which relate primarily to actions taken in the Americas Staffing and International Staffing regions to manage operating expenses and prepare the businesses for future growth. The year-over-year decrease in SG&A expenses reflects the transfer of APAC staffing operations to the joint venture, decreases in expense in our staffing operations and savings from reductions in performance-based compensation expenses. These decreases were partially offset by an increase in GTS SG&A expenses due to current and expected growth in that segment.

Income tax expense for 2016 was $30.0 million, compared to $8.7 million for 2015. 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 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. The increase in income tax expense from the prior year is primarily due to tax expense of $23.5 million from the gain on the investment in PersolKelly Asia Pacific, the impact of which is partially offset by a benefit from the release of valuation allowances in Italy.

Americas Staffing
(Dollars in millions)

	2016 (52 Weeks)	2015 (53 Weeks)	Change	CC Change
Revenue from services	$ 2,191.6	$ 2,209.0	(0.8)%	0.3%
Gross profit	398.2	394.1	1.0	1.8
SG&A expenses excluding restructuring charges	327.6	333.6	(1.8)	(1.2)
Restructuring charges	1.8	—	NM	NM
Total SG&A expenses	329.4	333.6	(1.3)	(0.7)
Earnings from operations	68.8	60.5	13.8	
Earnings from operations excluding restructuring charges	70.6	60.5	16.8	
Gross profit rate	18.2%	17.8%	0.4 pts.	
Conversion rate	17.3	15.3	2.0	
Conversion rate excluding restructuring charges	17.7	15.3	2.4	
Return on sales	3.1	2.7	0.4	
Return on sales excluding restructuring charges	3.2	2.7	0.5	

The decrease in reported Americas Staffing revenue from services was due to a 2% decrease in hours volume, partially offset by a 1% increase in average bill rates. The decrease in hours volume is due, in part, to the 53rd week in 2015, which added approximately 1% to 2015 revenue in Americas Staffing. The increase in average bill rates was primarily due to wage inflation and the resulting impact on the bill rate. Americas Staffing represented 42% of total Company revenue in 2016 and 40% in 2015.

The increase in the gross profit rate was primarily due to lower taxes, partially offset by higher workers' compensation and employee benefit costs, and the negative impact of changes in customer mix.

Total SG&A expenses decreased 1.3% on a reported basis and 0.7% on a CC basis due mainly to lower performance-based compensation. Included in 2016 SG&A expenses are restructuring charges of $1.8 million. These charges represent severance costs related to headcount reductions as well as lease buyout costs due to branch consolidations.

GTS
(Dollars in millions)

	2016 (52 Weeks)	2015 (53 Weeks)	Change	CC Change
Revenue from services	$ 1,977.1	$ 1,997.2	(1.0)%	(0.7)%
Gross profit	345.9	331.4	4.3	4.8
SG&A expenses excluding restructuring charges	287.3	260.5	10.3	10.8
Restructuring charges	0.4	—	NM	NM
Total SG&A expenses	287.7	260.5	10.4	11.0
Earnings from operations	58.2	70.9	(18.0)	
Earnings from operations excluding restructuring charges	58.6	70.9	(17.5)	
Gross profit rate	17.5%	16.6%	0.9 pts.	
Conversion rate	16.8	21.4	(4.6)	
Conversion rate excluding restructuring charges	16.9	21.4	(4.5)	
Return on sales	2.9	3.6	(0.7)	
Return on sales excluding restructuring charges	3.0	3.6	(0.6)	

Revenue from services in the GTS segment decreased during 2016 due primarily to revenue declines in our centrally delivered staffing business due to lower demand. This decrease was partially offset by growth in the BPO, CWO and RPO practice areas due primarily to the expansion of programs with existing customers and, to a lesser extent, new customer programs. The 53rd week in 2015 added approximately 1% to 2015 revenue in GTS. GTS revenue represented 38% of total Company revenue in 2016 and 36% in 2015.

The GTS gross profit rate increased primarily due to favorable product and customer mix and lower taxes, partially offset by higher employee benefit costs.

The increase in SG&A expenses was primarily a result of costs related to additional sales resources, costs associated with increased volume with existing customers and implementation of new business, including salaries and performance-based compensation, and bad debt expense. The bad debt expense was primarily related to certain aged accounts receivable at a subsidiary in Germany.

International Staffing
(Dollars in millions)

	2016 (52 Weeks)	2015 (53 Weeks)	Change	CC Change
Revenue from services	$ 1,127.1	$ 1,332.7	(15.4)%	(12.7)%
Gross profit	166.4	199.0	(16.3)	(14.0)
SG&A expenses excluding restructuring charges	145.7	175.7	(17.0)	(14.3)
Restructuring charges	1.2	—	NM	NM
Total SG&A expenses	146.9	175.7	(16.4)	(13.7)
Earnings from operations	19.5	23.3	(16.2)	
Earnings from operations excluding restructuring charges	20.7	23.3	(11.4)	
Gross profit rate	14.8%	14.9%	(0.1) pts.	
Conversion rate	11.7	11.7	—	
Conversion rate excluding restructuring charges	12.4	11.7	0.7	
Return on sales	1.7	1.7	—	
Return on sales excluding restructuring charges	1.8	1.7	0.1	

International Staffing includes the Company's APAC region staffing business prior to the transaction to form the PersolKelly Asia Pacific joint venture in the third quarter of 2016, resulting in a 14% decrease in International Staffing revenue from services. This decrease, combined with a 3% decrease in average bill rates (flat on a CC basis) and partially offset by a 2% increase in hours volume in our European operations, accounted for the change in revenue from services. The increase in hours volume was primarily due to increased customer demand in Portugal. International Staffing represented 21% of total Company revenue in 2016 and 24% in 2015. The 53rd week in 2015 added approximately 1% to 2015 revenue in International Staffing.

The International Staffing gross profit rate decrease was mainly driven by unfavorable customer mix in Switzerland.

Total SG&A expenses decreased 16.4% on a reported basis and 13.7% on a CC basis, primarily due to the transfer of the APAC staffing business. Additionally, SG&A expenses decreased in the EMEA region due to effective cost control in headquarters expenses across the region. Included in SG&A expenses are restructuring charges of $1.2 million, which reflect a repositioning of the operating model to pursue growth in staffing fee-based income and specialized temporary staffing business in Italy.

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 and customer accounts receivable. Since receipts from customers generally lag payroll to temporary employees, working capital requirements increase substantially in periods of growth. Conversely, when economic activity slows, working capital requirements may substantially decrease. As highlighted in the consolidated statements of cash flows, our liquidity and available capital resources are impacted by four key components: cash and equivalents, operating activities, investing activities and financing activities.

Cash and Equivalents

Cash and equivalents totaled $32.5 million at year-end 2017, compared to $29.6 million at year-end 2016. As further described below, during 2017, we generated $71.2 million of cash from operating activities, used $61.0 million of cash for investing activities and used $3.4 million in cash for financing activities.

Operating Activities

In 2017, we generated $71.2 million of net cash from operating activities, as compared to generating $39.6 million in 2016 and generating $25.3 million in 2015. The change from 2016 to 2017 was primarily driven by a decrease in performance based compensation payments, partially offset by the impact of higher DSO as discussed below. The change from 2015 to 2016 was primarily due to lower growth in trade accounts receivable.

Trade accounts receivable totaled $1.3 billion at year-end 2017 and $1.1 billion in 2016. Global DSO for the fourth quarter was 55 days for 2017, compared to 53 days for 2016. The increase of DSO by 2 days is due primarily to customer mix.

Our working capital position (total current assets less total current liabilities) was $458.1 million at year-end 2017, an increase of $14.6 million from year-end 2016. The current ratio (total current assets divided by total current liabilities) was 1.5 at year-end 2017 and 1.6 at year-end 2016.

Investing Activities

In 2017, we used $61.0 million of net cash for investing activities, compared to generating $10.3 million in 2016 and using $17.6 million in 2015. Included in cash used for investing activities in 2017 is $37.2 million for the acquisition of Teachers On Call, net of the cash received. Included in cash generated from investing activities in 2016 is $23.3 million of net cash representing the cash received less the cash deconsolidated relating to the PersolKelly Asia Pacific joint venture transaction. Capital expenditures, which totaled $24.6 million in 2017, $12.7 million in 2016 and $16.9 million in 2015, were primarily related to the Company's technology programs. The increase reflects higher spending for technology programs, IT infrastructure and headquarters building improvements in 2017 as compared to 2016.

Financing Activities

In 2017, we used $3.4 million of cash for financing activities, as compared to using $69.1 million in 2016 and using $44.0 million in 2015. Changes in net cash from financing activities are primarily related to short-term borrowing activities. Debt totaled $10.2 million at year-end 2017 and was zero at year-end 2016. Debt-to-total capital (total debt reported on the 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 0.9% at year-end 2017 and 0.0% at year-end 2016.

In 2017, the net change in short-term borrowings was primarily due to borrowings on our revolving credit facility. In 2016 and 2015, the net change in short-term borrowings was primarily due to payments on our U.S. securitization facility.

Dividends paid per common share were $0.30 in 2017, $0.275 in 2016 and $0.20 in 2015. 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.

Contractual Obligations and Commercial Commitments

Summarized below are our obligations and commitments to make future payments as of year-end 2017:

		Payment due by period			
	Total	Less than 1 year	1-3 Years	3-5 Years	More than 5 years
		(In millions of dollars)			
Operating leases	$ 82.8	$ 25.9	$ 34.4	$ 16.2	$ 6.3
Short-term borrowings	10.2	10.2	—	—	—
Accrued insurance	75.6	25.7	23.5	9.8	16.6
Accrued retirement benefits	193.2	15.5	31.1	30.4	116.2
Other long-term liabilities	8.5	1.7	3.1	1.7	2.0
Uncertain income tax positions	1.4	0.1	0.5	0.3	0.5
Purchase obligations	31.8	20.4	11.1	0.3	—
Total	$ 403.5	$ 99.5	$ 103.7	$ 58.7	$ 141.6

Purchase obligations above represent unconditional commitments relating primarily to online tools and voice and data communications services which we expect to utilize generally within the next two 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 public or private bonds, asset-based lending, additional bank facilities, issuance of equity or other sources.

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 2017 year end, these reviews have not resulted in any specific plans to repatriate a majority of our international cash balances. We expect much of our international cash will be needed to fund working capital growth in our local operations. The majority of our international cash is concentrated in a cash pooling arrangement (the "Cash Pool") and 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.

We manage 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.

At year-end 2017, we had $140.5 million of available capacity on our $150.0 million revolving credit facility and $145.0 million of available capacity on our $200.0 million securitization facility. The securitization facility had no short-term borrowings and $55.0 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. While we believe these facilities will cover our working capital needs over the short term, if economic conditions or operating results change significantly, we may need to seek additional sources of funds. Throughout 2017 and as of the 2017 year end, we met the debt covenants related to our revolving credit facility and securitization facility.

At year-end 2017, we also had additional unsecured, uncommitted short-term credit facilities totaling $9.8 million, under which we had $0.7 million of borrowings. Details of our debt facilities as of the 2017 year end are contained in the Debt footnote in the notes to our consolidated financial statements.

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 throughout the year 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 $59.4 million and $59.7 million at year-end 2017 and 2016, respectively.

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. We establish accruals for uncertain tax positions under generally accepted accounting principles, which require that a position taken or expected to be taken in a tax return be recognized in the consolidated financial statements when it is more likely than not (i.e., a likelihood of more than fifty percent) the position would be sustained upon examination by tax authorities who 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.

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 the consolidated balance sheet within income and other taxes and long-term tax accruals are presented in the consolidated balance sheet within other long-term liabilities.

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. Deferred tax assets generally represent items that can be used as a tax deduction or credit in our tax return in future years for which we have already recorded the tax benefit in our consolidated income statement. 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. Deferred tax liabilities generally represent items for which we have already taken a deduction on our tax return, but have not yet recognized as expense in our consolidated financial statements. 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.

The U.S. Tax Cuts and Jobs Act ("The Act") was signed into law on December 22, 2017. We have accounted for certain tax effects of The Act on a provisional basis, in accordance with SEC Staff Accounting Bulletin 118. We have determined reasonable estimates for any income tax effects whose analysis is incomplete. We have incorporated our reasonable estimates in our financial statements as of December 31, 2017 and plan to complete our accounting during the one-year measurement period.

Equity Method Investment

We account for our investment in PersolKelly Asia Pacific under the equity method of accounting. We review our equity method investment for indicators of impairment on a periodic basis or whenever events or circumstances indicate the carrying amount may be other-than-temporarily impaired. An impairment assessment requires the exercise of judgment related to financial trends, forecasts, relevant events, as well as any operating, economic, legal or regulatory changes that may have an impact on the investment. There were no indicators of an other-than-temporary impairment in 2017 or 2016. As of year-end 2017 and 2016, the equity method investment was $117.4 million and $114.8 million, respectively. See the Investment in PersolKelly Asia Pacific footnote in the notes to our consolidated financial statements.

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. We have determined that our reporting units are the same as our operating and reportable segments. If we have determined it is more likely than not the fair value for one or more reporting units is greater than their carrying value, we may use a qualitative assessment for the annual impairment test.

For reporting units where the qualitative assessment is not used, goodwill is tested for impairment using a two-step process. In the first step, the estimated fair value of a reporting unit is compared to its carrying value. 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. 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 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. 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.

If the carrying value of the net assets assigned to a reporting unit exceeds the estimated fair value of a reporting unit, a second step of the impairment test is performed in order to determine the implied fair value of a reporting unit's goodwill. Determining the implied fair value of goodwill requires valuation of a reporting unit's tangible and intangible assets and

liabilities in a manner similar to the allocation of purchase price in a business combination. If the carrying value of a reporting unit's goodwill exceeds its implied fair value, goodwill is deemed impaired and is written down to the extent of the difference.

We completed our annual impairment test for all reporting units with goodwill in the fourth quarter for the fiscal year ended 2017 and 2016 and determined that goodwill was not impaired. In 2017, we elected to perform a step one quantitative assessment for the Americas Staffing and GTS reporting units. In 2016, we elected to perform a step one quantitative assessment for our previous Americas Commercial, Americas PT and OCG reporting units.

Our step one analysis used significant assumptions by segment, including: expected future revenue and expense growth rates, profit margins, cost of capital, discount rate and forecasted capital expenditures. 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 these businesses could result in an impairment charge, which would decrease operating income and result in lower asset values on our consolidated balance sheet. As a measure of sensitivity, both reporting units have an estimated fair value that is at least double the carrying value in 2017. In addition, reducing our revenue growth rate assumptions by more than 100% would not result in the estimated fair value falling below book value for both reporting units.

At year-end 2017 and 2016, total goodwill amounted to $107.1 million and $88.4 million, respectively (see the Goodwill footnote in the notes to our consolidated financial statements).

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, results of similar litigation and, in the case of class action lawsuits, participation rates. 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 year-end 2017 and 2016, the gross accrual for litigation costs amounted to $5.3 million and $9.2 million, respectively, which are included in accounts payable and accrued liabilities in the consolidated balance sheet.

Allowance for Uncollectible Accounts Receivable

We make ongoing estimates relating to the collectibility of our trade accounts receivable and maintain an allowance for estimated losses resulting from the inability of our customers to make required payments. In determining the amount of the allowance, we consider our historical level of credit losses and apply percentages to certain aged receivable categories. We also make judgments about the creditworthiness of significant customers based on ongoing credit evaluations, and we monitor historical trends that might impact the level of credit losses in the future. Historically, losses from uncollectible accounts have not exceeded our allowance. Since we cannot predict with certainty future changes in the financial stability of our customers, actual future losses from uncollectible accounts may differ from our estimates. If the financial condition of our customers were to deteriorate, resulting in their inability to make payments, a larger allowance may be required.

In the event we determined that a smaller or larger allowance was appropriate, we would record a credit or a charge to SG&A expenses in the period in which we made such a determination. In addition, for billing adjustments related to errors, service issues and compromises on billing disputes, we also include a provision for sales allowances, based on our historical experience, in our allowance for uncollectible accounts receivable. If sales allowances vary from our historical experience, an adjustment to the allowance may be required, and we would record a credit or charge to revenue from services in the period in which we made such a determination. As of year-end 2017 and 2016, the allowance for uncollectible accounts receivable was $12.9 million and $12.5 million, respectively.

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 in this report are "forward-looking" statements within the meaning of the Private Securities Litigation Reform Act of 1995. 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, competitive market pressures including pricing and technology introductions and disruptions, changing market and economic conditions, our ability to achieve our business strategy, the risk of damage to our brand, the risk our intellectual property assets could be infringed upon or compromised, our ability to successfully develop new service offerings, our exposure to risks associated with services outside traditional staffing, including business process outsourcing, our increasing dependency on third parties for the execution of critical functions, the risks associated with past and future acquisitions, exposure to risks associated with investments in equity affiliates including PersolKelly Asia Pacific, 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 the government or government contractors, risks associated with conducting business in foreign countries, including foreign currency fluctuations, 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, 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 cyber attacks or other breaches of network or information technology security, our ability to sustain critical business applications through our key data centers, our ability to effectively implement and manage our information technology projects, our ability to maintain adequate financial and management processes and controls, risk of potential impairment charges triggered by adverse industry developments or operational circumstances, unexpected changes in claim trends on workers' compensation, unemployment, disability and medical benefit plans, the impact of changes in laws and regulations (including federal, state and international tax laws), competition law risks, the risk of additional tax or unclaimed property liabilities in excess of our estimates, our ability to maintain specified financial covenants in our bank facilities to continue to access credit markets, and other risks, uncertainties and factors discussed in this 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 have no intention to update these statements. 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 generally do not impact local cash flows. Intercompany transactions which create 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 2017 earnings.

Marketable equity investments, representing our available-for-sale investment in Persol Holdings, are stated at fair value and marked to market through stockholders' equity, net of tax. Impairments in value below historical cost, if any, deemed to be other than temporary, would be expensed in the consolidated statement of earnings. See the 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.

Overall, our holdings and positions in market risk-sensitive instruments do not subject us to material risk.

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 46 of this filing and are presented in pages 47-81.

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 47 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 December 31, 2017, 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.

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 page 40, and "Code of Business Conduct and Ethics," which is included on page 41, (Item 10), and except as set forth under the title "Equity Compensation Plan Information," which is included on pages 41-42, (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 December 31, 2017:

Name/Office	Age	Served as an Officer Since	Business Experience During Last 5 Years
George S. Corona President and Chief Executive Officer	59	2000	Served as officer of the Company.
Teresa S. Carroll Executive Vice President, President, Global Talent Solutions and General Manager - Sales, Marketing and HR	52	2000	Served as officer of the Company.
Peter W. Quigley Executive Vice President, President, Global Staffing and General Manager - IT, Global Service and Global Business Service	56	2004	Served as officer of the Company.
Steven S. Armstrong Senior Vice President and General Manager, U.S. Operations	60	1994	Served as officer of the Company.
Hannah S. Lim-Johnson (1) Chief Legal Officer	46	2017	September 2017 - Present Served as officer of the Company October 2016 - April 2017 Deputy General Counsel, Chief Litigation Counsel & Assistant Corporate Secretary - PSEG, Newark, NJ June 2012 - September 2016 VP, Chief Litigation & Chief Compliance Counsel - ADT Corp, Boca Raton, FL
Olivier G. Thirot Senior Vice President and and Chief Financial Officer	56	2008	Served as officer of the Company.
Laura S. Lockhart Vice President, Corporate Controller and Chief Accounting Officer	48	2008	Served as officer of the Company.

(1) Ms. Lim-Johnson was appointed Chief Legal Officer effective September 2017.

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 82. 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 2017.

	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]	—	—	4,533,702
Equity compensation plans not approved by security holders [4]	—	—	93,055
Total	—	$ —	4,626,757

(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 stock options and 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.

The number of shares to be issued upon exercise of outstanding options, warrants and rights under the Evergreen provision excludes: 417,101 shares of restricted stock; performance shares that have been earned but not yet vested totaling 249,827 shares of financial measure performance awards, 216,942 shares of total shareholder return performance awards, and 34,700 shares of single financial measure performance awards; and performance shares granted to employees and not yet earned or vested totaling 574,201 shares of financial measure performance awards and 225,388 shares of total shareholder return performance awards, each calculated using an assumed maximum award performance level of 200%, at December 31, 2017.

(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: 22,750 shares of restricted stock; performance shares that have been earned but not yet vested totaling 15,548 of single financial measure performance awards; and performance shares granted to employees and not

yet earned or vested totaling 74,624 shares of financial measure performance awards and 37,308 shares of total shareholder return performance awards, each calculated using an assumed maximum award performance level of 200%, at December 31, 2017.

(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. 100,000 shares were registered for use with issuing shares for this plan.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES.

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

(1) Financial statements:

Management's Report on Internal Control Over Financial Reporting

Report of Independent Registered Public Accounting Firm

Consolidated Statements of Earnings for the three fiscal years ended December 31, 2017

Consolidated Statements of Comprehensive Income for the three fiscal years ended December 31, 2017

Consolidated Balance Sheets at December 31, 2017 and January 1, 2017

Consolidated Statements of Stockholders' Equity for the three fiscal years ended December 31, 2017

Consolidated Statements of Cash Flows for the three fiscal years ended December 31, 2017

Notes to Consolidated Financial Statements

(2) Financial Statement Schedule -

For the three fiscal years ended December 31, 2017:

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.

(3) The Exhibits are listed in the Index to Exhibits included beginning at page 82, which is incorporated herein by reference.

(b) The Index to Exhibits and required Exhibits are included following the Financial Statement Schedule beginning at page 82 of this filing.

(c) None.

ITEM 16. FORM 10-K SUMMARY.

None.

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 20, 2018		KELLY SERVICES, INC. Registrant
	By	/s/ Olivier G. Thirot
		Olivier G. Thirot Senior 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 20, 2018	*	/s/ T. E. Adderley
		T. E. Adderley Executive Chairman and Chairman of the Board and Director
Date: February 20, 2018	*	/s/ G. S. Corona
		G. S. Corona President, Chief Executive Officer and Director (Principal Executive Officer)
Date: February 20, 2018	*	/s/ C. M. Adderley
		C. M. Adderley Director
Date: February 20, 2018	*	/s/ R. S. Cubbin
		R. S. Cubbin Director
Date: February 20, 2018	*	/s/ J. E. Dutton
		J. E. Dutton Director
Date: February 20, 2018	*	/s/ T. B. Larkin
		T. B. Larkin Director
Date: February 20, 2018	*	/s/ L. A. Murphy
		L. A. Murphy Director
Date: February 20, 2018	*	/s/ D. R. Parfet
		D. R. Parfet Director
Date: February 20, 2018	*	/s/ H. Takahashi
		H. Takahashi Director

SIGNATURES (continued)

Date: February 20, 2018		/s/ O. G. Thirot O. G. Thirot Senior Vice President and Chief Financial Officer (Principal Financial Officer)
Date: February 20, 2018		/s/ L. S. Lockhart L. S. Lockhart Vice President, Corporate Controller and Chief Accounting Officer (Principal Accounting Officer)
Date: February 20, 2018	*By	/s/ O.G. Thirot O.G. Thirot Attorney-in-Fact

KELLY SERVICES, INC. AND SUBSIDIARIES

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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.

The Company's management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2017. 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 December 31, 2017, 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 December 31, 2017 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears on pages 48-49.

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors 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 as of December 31, 2017 and January 1, 2017, and the related consolidated statements of earnings, comprehensive income, stockholders' equity and cash flows for each of the three years ended December 31, 2017, January 1, 2017, and January 3, 2016, 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 December 31, 2017, 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 December 31, 2017 and January 1, 2017, and the results of their operations and their cash flows for each of the three years ended December 31, 2017, January 1, 2017, and January 3, 2016 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 December 31, 2017, 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.

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.

/s/ PricewaterhouseCoopers LLP
PricewaterhouseCoopers LLP
Detroit, Michigan
February 20, 2018

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

KELLY SERVICES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS

	2017	2016	2015 [1]
	(In millions of dollars except per share items)		
Revenue from services	**$ 5,374.4**	$ 5,276.8	$ 5,518.2
Cost of services	**4,420.3**	4,370.5	4,597.9
Gross profit	**954.1**	906.3	920.3
Selling, general and administrative expenses	**870.8**	843.1	853.6
Earnings from operations	**83.3**	63.2	66.7
Gain on investment in PersolKelly Asia Pacific	**—**	87.2	—
Other expense, net	**(1.6)**	(0.7)	(3.5)
Earnings before taxes and equity in net earnings (loss) of affiliate	**81.7**	149.7	63.2
Income tax expense	**12.8**	30.0	8.7
Net earnings before equity in net earnings (loss) of affiliate	**68.9**	119.7	54.5
Equity in net earnings (loss) of affiliate	**2.7**	1.1	(0.7)
Net earnings	**$ 71.6**	$ 120.8	$ 53.8
Basic earnings per share	**$ 1.84**	$ 3.10	$ 1.39
Diluted earnings per share	**$ 1.81**	$ 3.08	$ 1.39
Dividends per share	**$ 0.30**	$ 0.275	$ 0.20
Average shares outstanding (millions):			
Basic	**38.3**	38.1	37.8
Diluted	**39.0**	38.4	37.9

(1) Fiscal year included 53 weeks.

See accompanying Notes to Consolidated Financial Statements.

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

	2017	2016	2015 [1]
		(In millions of dollars)	
Net earnings	**$ 71.6**	$ 120.8	$ 53.8
Other comprehensive income, net of tax:			
Foreign currency translation adjustments, net of tax expense of $0.2 million, tax expense of $0.0 million and tax benefit of $0.4 million, respectively	**16.4**	(0.6)	(19.4)
Less: Reclassification adjustments included in net earnings	**—**	(0.1)	(0.2)
Foreign currency translation adjustments	**16.4**	(0.7)	(19.6)
Unrealized gains (losses) on investment, net of tax expense of $30.2 million, tax benefit of $0.7 million and tax expense of $15.8 million, respectively	**56.2**	(1.1)	28.6
Pension liability adjustments, net of tax expense of $0.1 million, $0.0 million and $0.0 million, respectively	**(0.6)**	(0.3)	0.5
Less: Reclassification adjustments included in net earnings	**0.1**	0.1	0.1
Pension liability adjustments	**(0.5)**	(0.2)	0.6
Other comprehensive income (loss)	**72.1**	(2.0)	9.6
Comprehensive Income	**$ 143.7**	$ 118.8	$ 63.4

(1) Fiscal year included 53 weeks.

See accompanying Notes to Consolidated Financial Statements.

KELLY SERVICES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	2017	2016
	(In millions of dollars)	
ASSETS		
CURRENT ASSETS:		
Cash and equivalents	**$ 32.5**	$ 29.6
Trade accounts receivable, less allowances of $12.9 million and $12.5 million, respectively	**1,286.7**	1,138.3
Prepaid expenses and other current assets	**65.1**	46.7
Total current assets	**1,384.3**	1,214.6
NONCURRENT ASSETS:		
Property and equipment:		
Property and equipment	**291.8**	270.0
Accumulated depreciation	**(205.7)**	(189.2)
Net property and equipment	**86.1**	80.8
Deferred taxes	**183.4**	180.1
Goodwill, net	**107.1**	88.4
Investment in equity affiliate	**117.4**	114.8
Other assets	**499.9**	349.4
Total noncurrent assets	**993.9**	813.5
TOTAL ASSETS	**$ 2,378.2**	$ 2,028.1

See accompanying Notes to Consolidated Financial Statements.

KELLY SERVICES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	2017	2016
	(In millions of dollars)	
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Short-term borrowings	**$ 10.2**	$ —
Accounts payable and accrued liabilities	**537.7**	455.1
Accrued payroll and related taxes	**287.4**	241.5
Accrued insurance	**25.7**	23.4
Income and other taxes	**65.2**	51.1
Total current liabilities	**926.2**	771.1
NONCURRENT LIABILITIES:		
Accrued insurance	**49.9**	45.5
Accrued retirement benefits	**178.1**	157.4
Other long-term liabilities	**72.5**	42.1
Total noncurrent liabilities	**300.5**	245.0
Commitments and contingencies (See Commitments and Contingencies footnotes)		
STOCKHOLDERS' EQUITY:		
Capital stock, $1.00 par value		
Class A common stock, shares issued 36.6 million at 2017 and 2016	**36.6**	36.6
Class B common stock, shares issued 3.5 million at 2017 and 2016	**3.5**	3.5
Treasury stock, at cost		
Class A common stock, 1.7 million shares at 2017 and 1.9 million at 2016	**(34.6)**	(38.4)
Class B common stock	**(0.6)**	(0.6)
Paid-in capital	**32.2**	28.6
Earnings invested in the business	**983.6**	923.6
Accumulated other comprehensive income	**130.8**	58.7
Total stockholders' equity	**1,151.5**	1,012.0
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$ 2,378.2**	$ 2,028.1

See accompanying Notes to Consolidated Financial Statements.

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

	2017	2016	2015 [(1)]
	(In millions of dollars)		
Capital Stock			
Class A common stock			
Balance at beginning of year	**$ 36.6**	$ 36.6	$ 36.6
Conversions from Class B	**—**	—	—
Balance at end of year	**36.6**	36.6	36.6
Class B common stock			
Balance at beginning of year	**3.5**	3.5	3.5
Conversions to Class A	**—**	—	—
Balance at end of year	**3.5**	3.5	3.5
Treasury Stock			
Class A common stock			
Balance at beginning of year	**(38.4)**	(43.7)	(49.2)
Issuance of restricted stock and other	**3.8**	5.3	5.5
Balance at end of year	**(34.6)**	(38.4)	(43.7)
Class B common stock			
Balance at beginning of year	**(0.6)**	(0.6)	(0.6)
Issuance of restricted stock and other	**—**	—	—
Balance at end of year	**(0.6)**	(0.6)	(0.6)
Paid-in Capital			
Balance at beginning of year	**28.6**	25.4	24.9
Issuance of restricted stock and other	**3.6**	3.2	0.5
Balance at end of year	**32.2**	28.6	25.4
Earnings Invested in the Business			
Balance at beginning of year	**923.6**	813.5	767.4
Net earnings	**71.6**	120.8	53.8
Dividends	**(11.6)**	(10.7)	(7.7)
Balance at end of year	**983.6**	923.6	813.5
Accumulated Other Comprehensive Income			
Balance at beginning of year	**58.7**	60.7	51.1
Other comprehensive income (loss), net of tax	**72.1**	(2.0)	9.6
Balance at end of year	**130.8**	58.7	60.7
Stockholders' Equity at end of year	**$ 1,151.5**	$ 1,012.0	$ 895.4

(1) Fiscal year included 53 weeks.

See accompanying Notes to Consolidated Financial Statements.

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

	2017	2016	2015 [1]
		(In millions of dollars)	
Cash flows from operating activities:			
Net earnings	**$ 71.6**	$ 120.8	$ 53.8
Noncash adjustments:			
Depreciation and amortization	**22.7**	21.3	22.3
Provision for bad debts	**5.6**	11.0	3.7
Stock-based compensation	**9.1**	10.2	7.9
Deferred income taxes	**(5.9)**	7.4	(11.8)
Gain on investment in PersolKelly Asia Pacific equity affiliate	**—**	(87.2)	—
Other, net	**(2.5)**	(3.9)	(4.7)
Changes in operating assets and liabilities, net of acquisition	**(29.4)**	(40.0)	(45.9)
Net cash from operating activities	**71.2**	39.6	25.3
Cash flows from investing activities:			
Capital expenditures	**(24.6)**	(12.7)	(16.9)
Acquisition of company, net of cash received	**(37.2)**	—	—
Net cash proceeds from investment in PersolKelly Asia Pacific equity affiliate	**—**	23.3	—
Proceeds from repayment of loan to PersolKelly equity affiliate	**0.6**	—	—
Investment in PersolKelly equity affiliate	**—**	—	(0.5)
Other investing activities	**0.2**	(0.3)	(0.2)
Net cash (used in) from investing activities	**(61.0)**	10.3	(17.6)
Cash flows from financing activities:			
Net change in short-term borrowings	**10.1**	(55.9)	(34.7)
Dividend payments	**(11.6)**	(10.7)	(7.7)
Payments of tax withholding for restricted shares	**(1.8)**	(2.2)	(1.8)
Other financing activities	**(0.1)**	(0.3)	0.2
Net cash used in financing activities	**(3.4)**	(69.1)	(44.0)
Effect of exchange rates on cash and equivalents	**(3.9)**	6.6	(4.6)
Net change in cash and equivalents	**2.9**	(12.6)	(40.9)
Cash and equivalents at beginning of year	**29.6**	42.2	83.1
Cash and equivalents at end of year	**$ 32.5**	$ 29.6	$ 42.2

(1) Fiscal year included 53 weeks.

See accompanying Notes to Consolidated Financial Statements.

1. Summary of Significant Accounting Policies

Nature of Operations Kelly Services, Inc. is a global 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 December 31, 2017 (2017, which contained 52 weeks), January 1, 2017 (2016, which contained 52 weeks) and January 3, 2016 (2015, which contained 53 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 are accounted for on a one-month lag. The Company's equity investment in PersolKelly Asia Pacific are accounted for on a one-quarter lag (see Investment in PersolKelly Asia Pacific 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. In connection with the Company's investment in PersolKelly Asia Pacific (formerly TS Kelly Asia Pacific) in the third quarter of 2016, the Commercial and PT staffing operations and certain OCG businesses in the APAC region were deconsolidated at that time. Certain prior period amounts have been reclassified to conform to the current presentation. All intercompany accounts and transactions have been eliminated.

Available-For-Sale Investment The Company's available-for-sale investment, as further described in the Fair Value Measurements footnote, is carried at fair value with the unrealized gains or losses, net of tax, included as a component of accumulated other comprehensive income (loss) in stockholders' equity. Realized losses and declines in value below cost judged to be other-than-temporary, if any, are included as a component of asset impairments expense in the consolidated statement of earnings. The fair value of the available-for-sale investment is based on quoted market prices.

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.

Revenue Recognition Revenue from services is recognized as services are provided by the temporary or contract employees. Revenue from permanent placement services is recognized at the time the permanent placement candidate begins full-time employment. Revenue from other fee-based services is recognized when the services are provided. Revenues from sales of services and the related direct costs are recorded in accordance with the accounting guidance on reporting revenue gross as a principal versus net as an agent. When we act as an agent, we report the revenues on a net basis. 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.

Allowance for Uncollectible Accounts Receivable The Company records an allowance for uncollectible accounts receivable based on historical loss experience, customer payment patterns and current economic trends. The reserve for sales allowances, as discussed above, is also included in the allowance for uncollectible accounts receivable. The Company reviews the adequacy of the allowance for uncollectible accounts 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.

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 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 $7.9 million in 2017 and $7.6 million in 2016 and 2015.

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, workers' compensation, goodwill and long-lived asset impairment, 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	2017	2016	Life
	(In millions of dollars)		
Land	$ 3.8	$ 3.8	—
Work in process	5.3	0.8	—
Buildings and improvements	64.9	61.1	15 to 45 years
Computer hardware and software	154.2	145.0	3 to 12 years
Equipment, furniture and fixtures	37.9	33.8	5 years
Leasehold improvements	25.7	25.5	The lesser of the life of the lease or 5 years.
Total property and equipment	$ 291.8	$ 270.0	

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 Standards Codification ("ASC"). Work in process represents capitalized costs for internal use software not yet in service. Depreciation expense was $21.8 million for 2017, $20.7 million for 2016 and $21.4 million for 2015.

Operating Leases The Company recognizes rent expense on a straight-line basis over the lease term. This includes the impact of both scheduled rent increases and free or reduced rents (commonly referred to as "rent holidays"). The Company records allowances provided by landlords for leasehold improvements as deferred rent in the consolidated balance sheet and as operating cash flows in the consolidated statements of cash flows.

Goodwill and Other Intangible Assets Goodwill represents the excess of the purchase price over the fair value of net assets acquired. Purchased intangible assets with definite lives are recorded at estimated fair value at the date of acquisition and are amortized over their respective useful lives (from 3 to 15 years) on a straight-line basis or, if appropriate, on an accelerated basis commensurate with the related cash flows.

Impairment of Long-Lived Assets, Intangible Assets, Goodwill and Equity Method Investments 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 asset group's carrying amount, 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 at the reporting unit level annually in the fourth quarter and whenever events or circumstances make it more likely than not that an impairment may have occurred. We have determined that our reporting units are the same as our operating and reportable segments based on our organizational structure. We may use a qualitative assessment for one or more reporting units for the annual goodwill impairment test if we have determined that it is more likely than not that the fair value of the reporting unit(s) is more than their carrying value.

For reporting units where the qualitative assessment is not used, goodwill is tested for impairment using a two-step process. In the first step, the estimated fair value of a reporting unit is compared to its carrying value. 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, a second step of the impairment test is performed in order to determine the implied fair value of a reporting unit's goodwill. If the

carrying value of a reporting unit's goodwill exceeds its implied fair value, goodwill is deemed impaired and is written down to the extent of the difference.

We evaluate our equity method investment for indicators of impairment on a periodic 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.

Accounts Payable Included in accounts payable are book overdrafts, which are outstanding checks in excess of funds on deposit. Such amounts totaled $7.3 million and $8.8 million at year-end 2017 and 2016, respectively.

Accrued Payroll and Related Taxes Included in accrued payroll and related taxes are book overdrafts, which are outstanding checks in excess of funds on deposit. Such amounts totaled $18.6 million and $18.4 million at year-end 2017 and 2016, respectively. Payroll taxes for temporary employees are recognized proportionately to direct wages for interim periods based on expected full-year amounts.

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 will be accounted for as a current period expense when incurred.

Stock-Based Compensation The Company may grant restricted stock awards and units (collectively, "restricted stock"), stock options (both incentive and nonqualified), stock appreciation rights 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 a fair value of performance awards related to relative total shareholder return using a Monte Carlo simulation model. The Company estimates the fair value of stock option awards, if any, on the date of grant using an option-pricing 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 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 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. The estimates are based both on historical experience as well as current legal, economic and regulatory factors. 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 regularly updates its estimates, and the ultimate cost of these claims may be greater than or less than the established accrual.

2. Acquisition

On September 5, 2017, Kelly Services USA, LLC, a wholly owned subsidiary of the Company, acquired 100% of the issued and outstanding shares of Teachers On Call, Inc. ("TOC"), an educational staffing firm in the U.S. for a purchase price of $41.0 million. Under terms of the purchase agreement, the purchase price was adjusted for cash held by TOC at the closing date less an estimated working capital adjustment resulting in the Company paying cash of $39.0 million at closing. The purchase price allocation for this acquisition is preliminary and could change. As of year-end 2017, there have been no significant purchase price adjustments.

This acquisition will increase our market share in the educational staffing market in the U.S. TOC's results of operations are included in the Americas Staffing segment.

Pro forma results of operations for this acquisition have not been presented as it is not material to the consolidated statement 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
Other current assets		3.6
Goodwill		18.7
Intangibles		18.3
Other noncurrent assets		0.5
Current liabilities		(3.9)
Purchase price paid at closing	$	39.0

Included in the assets purchased was approximately $18.3 million of intangible assets, made up of $12.0 million in customer relationships, $4.8 million associated with TOC's trademark and $1.5 million for a candidate database. The customer relationships are being amortized on a straight-line basis over 10 years with no residual value and the database is being amortized on a straight-line basis over four years with no residual value. The trademark has an indefinite life. Goodwill generated from this acquisition is primarily attributable to expected synergies from combining operations and expanding market potential, and is assigned to the Americas Staffing reporting unit (see Goodwill footnote). The amount of goodwill expected to be deductible for tax purposes is approximately $18.3 million. An indemnification asset of $2.8 million was recognized as of the acquisition date related to pre-acquisition tax liabilities. At year-end 2017 the indemnification asset is $0.5 million with the change driven by cash received from the seller in the fourth quarter to pay pre-acquisition tax liabilities.

3. Investment in PersolKelly Asia Pacific

In 2016, the Company and Persol Holdings (formerly Temp Holdings), a leading integrated human resources company in Japan, completed a transaction to form a new joint venture, PersolKelly Asia Pacific (formerly TS Kelly Asia Pacific). The Company transferred its APAC staffing operations in exchange for a 49% ownership interest in PersolKelly Asia Pacific and $36.5 million in cash received at closing. The Company subsequently deconsolidated the contributed APAC staffing operations and recorded a $104.2 million investment in equity affiliate on the consolidated balance sheet, which represented the fair value of the Company's ownership interest in PersolKelly Asia Pacific as of the date of the transaction. As part of this transaction, in the third quarter of 2016, the Company deconsolidated the goodwill related to the contributed entities in our previous APAC PT and OCG segments amounting to $1.9 million. In the fourth quarter of 2016, the Company received a $4.5 million post-close cash true-up adjustment from Persol Holdings.

The operating results of the Company's interest in PersolKelly Asia Pacific are accounted for on a one-quarter lag under the equity method and are included in equity in net earnings (loss) of affiliate in the consolidated statement of earnings, which amounted to $2.7 million in 2017 and $1.1 million in 2016. PersolKelly Asia Pacific will perform its annual impairment test of goodwill in its fourth quarter. Any impairment, if required, would then be recorded by the Company based on the one-quarter lag. We would consider any impairment recorded by PersolKelly Asia Pacific to be a triggering event to perform our own impairment analysis regarding our investment in PersolKelly Asia Pacific.

In 2015, equity in net earnings (loss) of affiliate represented the operating results of the Company's interest in TS Kelly Workforce Solutions, a previous joint venture in which the Company held a 49% interest and which was transferred to PersolKelly Asia Pacific during the first quarter of 2017.

In the third quarter of 2016, the Company recorded a pretax gain of $87.2 million on the investment in PersolKelly Asia Pacific in the consolidated statement of earnings, which represented the fair value of the Company's retained investment in PersolKelly Asia Pacific in addition to the cash received less the carrying value of net assets transferred to the joint venture. Income taxes of $23.5 million on this gain resulted primarily from recording deferred income taxes on outside basis differences. The fair value of the Company's contributed operations was determined using both an income-based and market-based approach. The income approach utilized a discounted cash flow analysis which included significant assumptions about the timing of future cash flows, growth rates and discount rates commensurate with the underlying risks of the investment. The market approach entailed deriving market multiples from publicly traded companies with similar financial and operating characteristics to PersolKelly Asia Pacific and corroborated the results of the discounted cash flow method.

The investment in equity affiliate on the Company's consolidated balance sheet totaled $117.4 million as of year-end 2017 and $114.8 million as of year-end 2016. The net amount due to PersolKelly Asia Pacific, a related party, was $2.3 million as of year-end 2017 and $1.1 million as of year-end 2016. The amount included in trade accounts payable for staffing services provided by PersolKelly Asia Pacific as a supplier to CWO programs was $2.5 million as of year-end 2017 and $3.1 million as of year-end 2016. In 2017, TS Kelly Workforce Solutions made a loan repayment of $0.6 million to the Company and in 2015, we made cash contributions to TS Kelly Workforce Solutions totaling $0.5 million.

4. Fair Value Measurements

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

Assets Measured at Fair Value on a Recurring Basis

The following tables present the assets carried at fair value as of year-end 2017 and 2016 on 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.

	Fair Value Measurements on a Recurring Basis As of Year-End 2017			
Description	Total	Level 1	Level 2	Level 3
	(In millions of dollars)			
Money market funds	$ 4.3	$ 4.3	$ —	$ —
Available-for-sale investment	228.1	228.1	—	—
Total assets at fair value	$ 232.4	$ 232.4	$ —	$ —

	Fair Value Measurements on a Recurring Basis As of Year-End 2016			
Description	Total	Level 1	Level 2	Level 3
	(In millions of dollars)			
Money market funds	$ 4.0	$ 4.0	$ —	$ —
Available-for-sale investment	141.2	141.2	—	—
Total assets at fair value	$ 145.2	$ 145.2	$ —	$ —

Money market funds as of year-end 2017 and 2016 represent investments in money market accounts, all of which are restricted as to use and are included in other assets on the consolidated balance sheet. The valuations were based on quoted market prices of those accounts as of the respective period end.

Available-for-sale investment represents the Company's investment in Persol Holdings, the Company's joint venture partner in PersolKelly Asia Pacific, and is included in other assets on the consolidated balance sheet. The valuation is based on the quoted market price of Persol Holdings stock on the Tokyo Stock Exchange as of the period end. The unrealized gain, net of tax, of $56.2 million for the year ended 2017 and unrealized loss, net of tax, of $1.1 million for the year ended 2016 was

recorded in other comprehensive income, as well as in accumulated other comprehensive income, a component of stockholders' equity. The cost of this yen-denominated investment, which fluctuates based on foreign exchange rates, was $18.4 million at year-end 2017 and $17.7 million at year-end 2016.

Assets Measured at Fair Value on a Nonrecurring Basis

We completed our annual impairment test of goodwill for all reporting units in the fourth quarter for the fiscal years ended 2017 and 2016 and determined that goodwill was not impaired.

In 2017 and 2016, we elected to complete a step one quantitative test for all of our reporting units with goodwill. For both years, the estimated fair value of each reporting unit tested exceeded its related carrying value. As a result of these quantitative assessments, we determined it was more likely than not that the fair value of each of the reporting units was more than its carrying value.

5. Restructuring

In the first quarter of 2017, the Company took restructuring actions in Global Talent Solutions and Americas Staffing to optimize service delivery models and deliver cost savings in 2017.

Restructuring costs incurred in 2017 totaled $2.4 million. Global Talent Solutions incurred $2.0 million and Americas Staffing incurred $0.4 million. All costs, which are primarily severance costs, were recorded entirely in SG&A expenses in the consolidated statement of earnings. Restructuring costs incurred in 2016 totaled $3.4 million and were recorded entirely in SG&A expenses in the consolidated statement of earnings. No restructuring costs were incurred in 2015.

A summary of our global restructuring balance sheet accrual, primarily included in accrued payroll and related taxes, is detailed below (in millions of dollars).

Balance as of year-end 2015	$	0.5
Additions charged to Americas Staffing		1.8
Additions charged to International Staffing		1.2
Additions charged to Global Talent Solutions		0.4
Reductions for cash payments related to all restructuring activities		(3.4)
Balance as of year-end 2016		0.5
Additions charged to charged to Global Talent Solutions		2.0
Additions charged to Americas Staffing		0.4
Reductions for cash payments related to all restructuring activities		(2.7)
Balance as of year-end 2017	$	0.2

The remaining balance of $0.2 million as of year-end 2017 primarily represents severance costs and the majority is expected to be paid during the first quarter of 2018. No material adjustments are expected to be recorded.

6. Goodwill

As discussed in the Segment Disclosures footnote, during the first quarter of 2017 the Company's chief operating decision maker ("CODM") changed the way he regularly reviews information for purposes of allocating resources and assessing performance, which resulted in a change in our operating segments and reporting units. We allocated goodwill to our new reporting units using a relative fair value approach and completed an impairment test at that time and determined that no impairment existed. In addition, as discussed in the Fair Value Measurements footnote, we completed our annual assessment of any potential goodwill impairment for all reporting units with goodwill and determined that no impairment existed.

The changes in the carrying amount of goodwill for the fiscal year 2017 are included in the table below. See Acquisition footnote for a description of the additions to goodwill in 2017.

	As of Year-End 2016					As of Year-End 2017
	Goodwill, Gross	Accumulated Impairment Losses	Goodwill, Net	Allocation of Goodwill	Additions to Goodwill	Goodwill
	(In millions of dollars)					
Americas Commercial	$ 40.0	$ (16.4)	$ 23.6	$ (23.6)	$ —	$ —
Americas PT	37.9	—	37.9	(37.9)	—	—
EMEA Commercial	50.4	(50.4)	—	—	—	—
EMEA PT	22.0	(22.0)	—	—	—	—
APAC Commercial	12.1	(12.1)	—	—	—	—
APAC PT	—	—	—	—	—	—
OCG	26.9	—	26.9	(26.9)	—	—
Americas Staffing	—	—	—	25.9	18.7	44.6
Global Talent Solutions	—	—	—	62.5	—	62.5
International Staffing	—	—	—	—	—	—
	$ 189.3	$ (100.9)	$ 88.4	$ —	$ 18.7	$ 107.1

The changes in the net carrying amount of goodwill for the fiscal year 2016 are shown in the table below. Upon the formation of the PersolKelly Asia Pacific joint venture during the third quarter of 2016 (see Investment in PersolKelly Asia Pacific footnote), the Company deconsolidated the goodwill related to the contributed entities in our previous APAC PT and OCG segments amounting to $1.9 million.

	As of Year-End 2015			As of Year-End 2016		
	Goodwill, Gross	Accumulated Impairment Losses	Adjustments to Goodwill	Goodwill, Gross	Accumulated Impairment Losses	Goodwill, Net
			(In millions of dollars)			
Americas						
Americas Commercial	$ 40.0	$ (16.4)	$ —	$ 40.0	$ (16.4)	$ 23.6
Americas PT	37.9	—	—	37.9	—	37.9
Total Americas	77.9	(16.4)	—	77.9	(16.4)	61.5
EMEA						
EMEA Commercial	50.4	(50.4)	—	50.4	(50.4)	—
EMEA PT	22.0	(22.0)	—	22.0	(22.0)	—
Total EMEA	72.4	(72.4)	—	72.4	(72.4)	—
APAC						
APAC Commercial	12.1	(12.1)	—	12.1	(12.1)	—
APAC PT	1.4	—	(1.4)	—	—	—
Total APAC	13.5	(12.1)	(1.4)	12.1	(12.1)	—
OCG	27.4	—	(0.5)	26.9	—	26.9
Consolidated Total	$ 191.2	$ (100.9)	$ (1.9)	$ 189.3	$ (100.9)	$ 88.4

7. Other Assets

Included in other assets are the following:

	2017	2016
	(In millions of dollars)	
Life insurance cash surrender value (see Retirement Benefits footnote)	$ 188.7	$ 165.0
Available-for-sale investment (see Fair Value Measurements footnote)	228.1	141.2
Wage subsidy receivable	28.1	22.3
Workers' compensation receivable	10.5	6.8
Intangibles, net of accumulated amortization of $18.6 million in 2017 and $16.7 million in 2016	18.2	0.6
Other	26.3	13.5
Other assets	$ 499.9	$ 349.4

Wage subsidy receivable is related to a law to enhance the competitiveness of businesses in France. Workers' compensation receivable represents receivables from the insurance company for U.S. workers' compensation claims in excess of the applicable loss limits. In 2017, $18.3 million of intangibles were acquired through the acquisition of TOC of which $13.5 million are definite-lived and amortized on a straight-line basis (see Acquisition footnote). Intangible amortization expense, which is included in SG&A expenses, was $0.9 million, $0.6 million and $0.9 million in 2017, 2016 and 2015, respectively. The amortization expense for the intangibles acquired in 2017 will be $1.6 million in 2018, 2019 and 2020, $1.5 million in 2021 and $1.2 million in 2022. As of year-end 2017, other includes a long-term customer receivable for $12.4 million.

8. Debt

Short-Term Debt

The Company has a $150.0 million revolving credit facility (the "Facility") with a termination date of December 6, 2021. The Facility allows for borrowings in various currencies and is available to be used to fund working capital, acquisitions and general corporate needs.

At year-end 2017, borrowings under the Facility were $9.5 million with an interest rate of 4.70%, and a remaining borrowing capacity of $140.5 million. At year-end 2016, there were no borrowings under the Facility and the remaining borrowing capacity was $150.0 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 17.5 basis points at year-end 2017 and 2016. The Facility's financial covenants and restrictions are described below, all of which were met at year-end 2017:

- We must maintain a certain minimum ratio of earnings before interest, taxes, depreciation, amortization and certain cash and non-cash charges that are non-recurring in nature ("EBITDA") 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.

The Company has a Receivables Purchase Agreement with Kelly Receivables Funding, LLC, a wholly owned bankruptcy remote special purpose subsidiary of the Company (the "Receivables Entity"), related to its $200.0 million, three-year, securitization facility (the "Securitization Facility"). The Receivables Purchase Agreement will terminate December 5, 2019, unless terminated earlier pursuant to its terms.

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 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 2017, the Securitization Facility had no short-term borrowings, SBLCs of $55.0 million related to workers' compensation at a rate of 0.90% and a remaining capacity of $145.0 million. As of year-end 2016, the Securitization Facility had no short-term borrowings, SBLCs of $50.4 million related to workers' compensation at a rate of 0.90% and a remaining capacity of $149.6 million. The rate for short-term borrowings includes 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 $9.8 million as of year-end 2017. There were $0.7 million borrowings under these lines at year-end 2017 compared to zero at year-end 2016. The weighted average interest rate for these borrowings, which were primarily related to India, was 8.23% at year-end 2017.

9. 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 $188.3 million and $166.7 million as of year-end 2017 and 2016, respectively, and is included in current accrued payroll and related taxes and noncurrent accrued retirement benefits. The cost of participants' earnings or loss on this liability, which were included in SG&A expenses, were earnings of $22.3 million in 2017, earnings of $10.5 million in 2016 and loss of $1.6 million in 2015. 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 $188.7 million and $165.0 million at year-end 2017 and 2016, respectively. The cash surrender value of these insurance policies is included in other assets. Tax-free earnings on these assets, which were included in SG&A expenses and which offset the related earnings or loss on the liability, were $22.3 million in 2017, $9.7 million in 2016 and $0.3 million in 2015.

The net expense for retirement benefits for the qualified and nonqualified plans, including Company matching contributions for full-time employees, totaled $8.6 million in 2017, $9.0 million in 2016 and $5.7 million in 2015. This expense in included in total SG&A expenses in the consolidated statement of earnings. 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 2017 were $13.3 million, $8.4 million and $4.9 million, respectively. The total projected benefit obligation, assets and unfunded liability for these plans as of year-end 2016 were $11.6 million, $7.6 million and $4.0 million, respectively. Total pension expense for these plans was $0.4 million in 2017 and 2016 and $0.3 million in 2015. Pension contributions and the amount of accumulated other comprehensive income expected to be recognized in 2018 are not significant.

10. 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.

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.

The Company made dividend payments totaling $11.6 million in 2017, $10.7 million in 2016 and $7.7 million in 2015.

Accumulated Other Comprehensive Income

The changes in accumulated other comprehensive income by component, net of tax, during 2017 and 2016 are included in the table below. Amounts in parentheses indicate debits.

	Foreign Currency Translation Adjustments	Unrealized Gains and Losses on Investment	Pension Liability Adjustments	Total
	(In millions of dollars)			
Balance at year-end 2016	$ (23.3)	$ 83.8	$ (1.8)	$ 58.7
Other comprehensive income (loss) before reclassifications	16.4	56.2	(0.6)	72.0
Amounts reclassified from accumulated other comprehensive income	—	—	0.1 [2]	0.1
Net current-period other comprehensive income (loss)	16.4	56.2	(0.5)	72.1
Balance at year-end 2017	$ (6.9)	$ 140.0	$ (2.3)	$ 130.8

	Foreign Currency Translation Adjustments	Unrealized Gains and Losses on Investment	Pension Liability Adjustments	Total
	(In millions of dollars)			
Balance at year-end 2015	$ (22.6)	$ 84.9	$ (1.6)	$ 60.7
Other comprehensive income (loss) before reclassifications	(0.6)	(1.1)	(0.3)	(2.0)
Amounts reclassified from accumulated other comprehensive income	(0.1) [1]	—	0.1 [2]	—
Net current-period other comprehensive income (loss)	(0.7)	(1.1)	(0.2)	(2.0)
Balance at year-end 2016	$ (23.3)	$ 83.8	$ (1.8)	$ 58.7

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

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

11. Earnings Per Share

The reconciliation of basic earnings per share on common stock for the year-end 2017, 2016 and 2015 follows (in millions of dollars except per share data).

	2017	2016	2015
Net earnings	$ 71.6	$ 120.8	$ 53.8
Less: Earnings allocated to participating securities	(1.1)	(2.6)	(1.4)
Net earnings available to common shareholders	$ 70.5	$ 118.2	$ 52.4
Average common shares outstanding (millions):			
Basic	38.3	38.1	37.8
Dilutive share awards	0.7	0.3	0.1
Diluted	39.0	38.4	37.9
Basic earnings per share	$ 1.84	$ 3.10	$ 1.39
Diluted earnings per share	$ 1.81	$ 3.08	$ 1.39

Potentially dilutive shares outstanding are primarily related to performance shares for 2017 and 2016. Stock options excluded from the computation of diluted earnings per share due to their anti-dilutive effect for 2016 and 2015 were not significant, and all remaining stock options expired in the second quarter of 2016.

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.

12. 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 stock options (both incentive and nonqualified), stock appreciation rights, restricted stock and performance awards to key employees associated with the Company’s Class A stock. For shares granted prior to May 10, 2017, the EIP provides that the maximum number of shares available for grants is 15 percent of the outstanding Class A Stock, adjusted for EIP activity over the preceding 5 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 2017 were 4.5 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 $9.1 million in 2017, $10.2 million in 2016 and $7.9 million in 2015, as well as related tax benefits of $4.2 million in 2017, $3.9 million in 2016 and $3.0 million in 2015.

Restricted Stock

Restricted stock, which typically vests 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 2017 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 2016	653	$ 16.58
Granted	209	21.97
Vested	(242)	16.93
Forfeited	(180)	17.04
Nonvested at year-end 2017	440	$ 18.76

As of year-end 2017, unrecognized compensation cost related to unvested restricted stock totaled $6.2 million. The weighted average period over which this cost is expected to be recognized is approximately 1.7 years. The weighted average grant date fair value per share of restricted stock granted during 2017, 2016 and 2015 was $21.97, $17.08 and $15.85, respectively. The total fair value of restricted stock, which vested during 2017, 2016 and 2015, was $5.8 million, $6.4 million and $5.4 million, respectively.

Performance Shares

During 2017, 2016, and 2015, the Company granted performance awards associated with the Company's Class A stock to certain senior officers. The payment of performance shares, which will be satisfied with the issuance of shares out of treasury stock, is contingent upon the achievement of specific gross profit and operating earnings performance goals over a stated period of time.

2017 Grant

For the 2017 performance share grant ("2017 grant"), the total target number of performance shares granted is 387,000, of which 304,000 shares are eligible to earn up to the maximum number of performance shares of 609,000, which assumes 200% of the target shares originally granted. Target shares of 203,000 may be earned upon achievement of two financial goals ("financial measure performance shares") and target shares of 101,000 may be earned based on the Company's total shareholder return ("TSR") relative to the S&P SmallCap 600 Index ("TSR performance shares"). These financial measure performance and TSR performance shares have a three-year performance period through December 31, 2019 and if earned, will cliff-vest after the approval by the Compensation Committee, which will be no later than March 15, 2020, if not forfeited by the recipient. No dividends are paid on financial measure and TSR performance shares. The 2017 grant also included 83,000 single financial measure performance shares, which have 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.

The financial measure performance shares have a weighted average grant date fair value of $21.07. For each of the two financial measures, there are annual goals set in February of each year, with the total award payout based on a cumulative average of the 2017, 2018, and 2019 goals. Accordingly, the Company remeasures the fair value of the 2017 financial measure performance shares each reporting period until the 2019 goals are set, after which the fair value will be fixed for the remaining performance period. As of year-end 2017, the current fair value for financial measure performance shares is $26.40. The total nonvested shares at maximum level (200%) related to financial measure performance awards at year-end is 279,000.

The TSR performance shares have an estimated fair value of $20.16, which was computed using a Monte Carlo simulation model incorporating assumptions for inputs of expected stock price volatility, dividend yield and risk-free rate. The total nonvested shares at maximum level (200%) related to TSR performance awards at year-end 2017 is 139,000.

2016 Grant

For the 2016 performance share grant ("2016 grant"), the total target number of performance shares granted is 332,000, and the maximum number of performance shares that may be earned is 663,000, which assumes 200% of the target shares originally granted. Target shares of 249,000 may be earned upon the achievement of three financial goals ("financial measure performance shares") and target shares of 83,000 may be earned based on the Company's total shareholder return relative to the S&P SmallCap 600 Index ("TSR performance shares"). These financial measure performance and TSR performance shares have a three-year performance period through December 31, 2018, and if earned, will cliff-vest after the approval by the Compensation Committee, which will be no later than March 15, 2019, if not forfeited by the recipient. No dividends are paid on financial measure and TSR performance shares.

The financial measure performance shares have a weighted average grant date fair value of $15.85. For each of the three financial measures, there are annual goals set in February of each year, with the total award payout based on a cumulative average of the 2016, 2017 and 2018 goals. Accordingly, the Company remeasures the fair value of the 2016 financial measure performance shares each reporting period until the 2018 goals are set, after which the fair value will be fixed for the remaining performance period. As of year-end 2017, the current fair value for financial measure performance shares is $26.40. The total nonvested shares at maximum level (200%) related to financial measure performance awards at year-end 2017 is 370,000.

The TSR performance shares have an estimated fair value of $19.73, which was computed using a Monte Carlo simulation model incorporating assumptions for inputs of expected stock price volatility, dividend yield and risk-free interest rate. The total nonvested shares at maximum level (200%) related to TSR performance awards at year-end 2017 is 123,000.

2015 Grant

For the 2015 performance share grant ("2015 grant"), the total target number of performance shares granted is 375,000, and the maximum number of performance shares that may be earned is 750,000, which assumes 200% of the target shares originally granted. Target shares of 250,000 may be earned upon the achievement of two financial goals ("financial measure performance shares") and target shares of 125,000 may be earned based on the Company's total shareholder return relative to the S&P SmallCap 600 Index ("TSR performance shares"). No dividends are paid on financial measure or TSR performance shares.

The 2015 financial measure performance shares, which have a weighted average grant date fair value of $16.31, had a one-year performance measure through fiscal 2015 and will vest after the completion of an additional two-year service period. Based upon the level of achievement of specific financial performance goals for the 2015 grant, participants had the ability to receive up to 200% of the target number of shares originally granted. On February 17, 2016, the Compensation Committee approved the actual performance achievement of the financial measure performance shares for the 2015 grant. Actual performance resulted in participants achieving 115% of target. These financial measure performance shares will cliff-vest after the approval of the Compensation Committee, which will be no later than March 15, 2018, if not forfeited by the recipient. The total nonvested shares related to 2015 financial measure performance awards at year-end 2017 is 250,000.

The 2015 TSR performance shares have a three-year performance measure with vesting at the end of the performance period. TSR performance shares have an estimated fair value of $16.01, which was computed using a Monte Carlo simulation model incorporating assumptions for inputs of expected stock price volatility, dividend yield and risk-free interest rate. Based upon the level of achievement of the Company's TSR relative to the S&P SmallCap 600 Index for the 2015 grant, participants had the ability to receive up to 200% of the target number of shares originally granted. On February 14, 2018, the Compensation Committee approved the actual achievement of the TSR performance shares for the 2015 grant. Actual performance resulted in participants achieving 200% of target. These TSR performance shares will cliff-vest after the approval of the Compensation Committee, which will be no later than March 15, 2018, if not forfeited by the recipient. The total nonvested shares at maximum level (200%) related to TSR performance awards at year-end 2017 is 217,000.

A summary of the status of all nonvested performance shares at target for 2017 is presented as follows below (in thousands of shares except per share data). Forfeitures primarily relate to the retirement of the Company's former President and Chief Executive Officer in the second quarter of 2017.

	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 2016	499	$ 19.17	208	$ 17.49
Granted	286	21.32	101	20.16
Vested	—	—	—	—
Forfeited	(193)	20.51	(69)	19.04
Nonvested at year-end 2017	592	$ 22.32	240	$ 18.17

As of year-end 2017, unrecognized compensation cost related to all unvested financial measure performance shares and TSR performance shares totaled $3.7 million and $1.2 million, respectively. The weighted average period over which the costs are expected to be recognized is approximately 1.8 years for financial measure performance shares and 1.7 years for TSR performance shares.

13. Other Expense, Net

Included in other expense, net are the following:

	2017	2016	2015
		(In millions of dollars)	
Interest income	$ 0.7	$ 0.4	$ 0.3
Interest expense	(2.7)	(3.8)	(3.8)
Dividend income	1.5	1.2	0.9
Foreign exchange (losses) gains	(1.1)	1.6	(0.9)
Other	—	(0.1)	—
Other expense, net	$ (1.6)	$ (0.7)	$ (3.5)

Dividend income includes dividends earned on the Company's investment in Persol Holdings (see Fair Value Measurements footnote).

14. Income Taxes

Earnings before taxes and equity in net earnings (loss) of affiliate for the years 2017, 2016 and 2015 were taxed under the following jurisdictions:

	2017	2016	2015
		(In millions of dollars)	
Domestic	$ 55.2	$ 112.4	$ 28.9
Foreign	26.5	37.3	34.3
Total	$ 81.7	$ 149.7	$ 63.2

The provision for income taxes was as follows:

	2017	2016	2015
	(In millions of dollars)		
Current tax expense:			
U.S. federal	$ 6.6	$ 10.2	$ 8.3
U.S. state and local	2.4	2.4	1.4
Foreign	9.7	10.0	10.8
Total current	18.7	22.6	20.5
Deferred tax expense:			
U.S. federal	0.4	11.8	(10.6)
U.S. state and local	0.1	2.0	0.8
Foreign	(6.4)	(6.4)	(2.0)
Total deferred	(5.9)	7.4	(11.8)
Total provision	$ 12.8	$ 30.0	$ 8.7

Deferred taxes are comprised of the following:

	2017	2016
	(In millions of dollars)	
Depreciation and amortization	$ (13.4)	$ (14.6)
Employee compensation and benefit plans	57.3	75.5
Workers' compensation	14.5	22.4
Unrealized gain on securities	(60.1)	(33.6)
Investment in equity affiliate	(15.5)	(22.7)
Loss carryforwards	38.8	36.4
Credit carryforwards	132.7	121.2
Other, net	3.1	3.5
Valuation allowance	(34.6)	(42.1)
Net deferred tax assets	$ 122.8	$ 146.0

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

	2017	2016
	(In millions of dollars)	
Deferred tax asset	$ 183.4	$ 180.1
Other long-term liabilities	(60.6)	(34.1)
	$ 122.8	$ 146.0

The differences between income taxes from continuing operations for financial reporting purposes and the U.S. statutory rate of 35% are as follows:

	2017	2016	2015
	(In millions of dollars)		
Income tax based on statutory rate	$ 28.6	$ 52.4	$ 22.1
State income taxes, net of federal benefit	1.6	2.9	1.3
General business credits	(18.1)	(17.0)	(17.9)
Life insurance cash surrender value	(7.4)	(3.0)	0.3
Foreign items	(2.8)	0.4	(2.5)
Foreign business taxes	4.0	3.6	3.7
Tax law change	13.9	—	(0.7)
PersolKelly Asia Pacific transaction gain	—	(4.8)	—
Non-deductible expenses	1.3	1.6	2.3
Change in deferred tax realizability	(7.8)	(5.9)	—
Other, net	(0.5)	(0.2)	0.1
Total	$ 12.8	$ 30.0	$ 8.7

General business credits primarily represent U.S. work opportunity credits. Foreign items include foreign income tax rate differences, foreign tax credits and deductions, and 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 Topic 740 ("ASC 740"), Income Taxes. For 2017, tax law change represents the revaluing of net deferred tax assets as a result of the U.S. Tax Cuts and Jobs Act ("The Act"). Among other things, The Act reduced the U.S. federal corporate tax rate from 35% to 21%, effective January 1, 2018, and imposed a one-time transition tax on the Company's accumulated foreign earnings. Due to the ability for foreign deficits to offset foreign earnings, the Company does not anticipate paying a transition tax. As such, a provisional amount of zero has been recorded in accordance with SEC Staff Accounting Bulletin 118 for the transition tax due to the need for additional analysis of historical data. Any subsequent adjustment will be recorded in the applicable 2018 quarter. Also while the accounting for revaluing net deferred tax assets is complete, the issuance of additional guidance interpreting The Act may require adjustments.

The Company has U.S. general business credit carryforwards of $128.5 million which will expire from 2033 to 2037, foreign tax credit carryforwards of $4.1 million that expire from 2022 to 2026 and $0.1 million of state credit carryforwards that expire from 2026 to 2037, or have no expiration. The net tax effect of state and foreign loss carryforwards at year-end 2017 totaled $38.8 million, which expire as follows (in millions of dollars):

Year	Amount
2018-2020	$ 1.8
2021-2034	0.8
No expiration	36.2
Total	$ 38.8

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 support realization of the foreign deferred tax assets.

Provision has not been made for income taxes on an estimated $124.8 million of undistributed earnings which are permanently reinvested. If these earnings were to be repatriated, the Company could be subject to foreign withholding tax and state income tax, net of federal benefit, of $5.3 million. There would also be income taxes on foreign exchange gains or losses.

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

	2017	2016	2015
	(In millions of dollars)		
Balance at beginning of the year	$ 1.4	$ 1.7	$ 2.4
Additions for prior years' tax positions	—	0.1	0.1
Reductions for prior years' tax positions	—	—	(0.7)
Additions for settlements	—	—	—
Reductions for settlements	—	—	—
Reductions for expiration of statutes	(0.2)	(0.4)	(0.1)
Balance at end of the year	$ 1.2	$ 1.4	$ 1.7

If the $1.2 million in 2017, $1.4 million in 2016 and $1.7 million in 2015 of unrecognized tax benefits were recognized, they would have a favorable effect of $1.0 million in 2017 and 2016 and $1.1 million in 2015 on income tax expense.

The Company recognizes both interest and penalties as part of the income tax provision. Interest and penalties expense in 2017 and 2016 and benefit in 2015 were not significant. Accrued interest and penalties at year-end 2017 and 2016 were not significant.

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 2014 through 2017, Canada for fiscal years 2010 through 2017, France for fiscal years 2013 through 2017, Mexico for fiscal years 2012 through 2017, Portugal for fiscal years 2014 through 2017, and Switzerland for fiscal years 2008 through 2017.

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 $0.1 million for 2017, related to tax positions which are reasonably possible to change within the next twelve months due to income tax audits, settlements and statute expirations.

15. Supplemental Cash Flow Information

Changes in operating assets and liabilities as disclosed in the statements of cash flows, for the fiscal years 2017, 2016 and 2015, respectively, were as follows:

	2017	2016	2015
	(In millions of dollars)		
Increase in trade accounts receivable	$ (126.2)	$ (93.9)	$ (64.2)
Increase in prepaid expenses and other assets	(13.8)	(11.0)	(5.2)
Increase in accounts payable and accrued liabilities	63.9	58.4	50.9
Increase (decrease) in accrued payroll and related taxes	32.9	1.9	(23.7)
Increase (decrease) in accrued insurance	6.7	2.4	(4.2)
Increase in income and other taxes	7.1	2.2	0.5
Total changes in operating assets and liabilities, net of acquisition	$ (29.4)	$ (40.0)	$ (45.9)

The Company paid interest of $1.9 million in 2017 and $2.7 million in 2016 and 2015. The Company paid income taxes of $20.1 million in 2017, $24.0 million in 2016 and $23.5 million in 2015.

Non-cash capital expenditures totaled $3.0 million, $1.7 million and $1.8 million at year-end 2017, 2016 and 2015, respectively.

16. Commitments

The Company conducts its branch-based operations primarily from leased facilities. The following is a schedule by fiscal year of future minimum commitments under operating leases as of year-end 2017 (in millions of dollars):

Fiscal year:		
2018	$	25.9
2019		19.7
2020		14.7
2021		10.3
2022		5.9
Later years		6.3
Total	$	82.8

Lease expense for fiscal 2017, 2016 and 2015 amounted to $31.3 million, $33.1 million and $37.5 million, respectively.

In addition to operating lease agreements, the Company has entered into noncancelable purchase obligations totaling $31.8 million. These obligations relate primarily to online tools and voice and data communications services 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.

17. Contingencies

In the ordinary course of business the Company is the subject of, or party to, various pending or threatened legal actions which could result in a material adverse outcome for which the related damages may not be estimable. As previously disclosed, the Company entered into a settlement with plaintiffs in Hillson et. al. v Kelly Services in order to avoid the cost of continued litigation. On August 17, 2017, the District Court approved the settlement and entered a Final Order of Judgment and Dismissal. The Company made the final payment, which was accrued in 2015, on September 19, 2017.

In addition, the Company is continuously engaged in litigation or investigations arising in the ordinary course of its business, such as matters alleging employment discrimination, wage and hour violations, or violations of privacy rights or anti-competition regulations. There are matters that are currently stayed pending a decision from the Supreme Court of the United States on whether the Company's arbitration provision is enforceable. We record accruals for loss contingencies when we believe it is probable that liability has been incurred and the amount of loss can be reasonably estimated. Such accruals are recorded in accounts payable and accrued liabilities on the consolidated balance sheet. 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.

At year-end 2017 and 2016, the gross accrual for litigation costs amounted to $5.3 million and $9.2 million, respectively, which are included in accounts payable and accrued liabilities in the consolidated balance sheet.

18. Segment Disclosures

The Company's segments are based on the organizational structure for which financial results are regularly evaluated by the CODM to determine resource allocation and assess performance. During the first quarter of 2017, the Company's CODM, who was previously the Company's Chief Executive Officer ("CEO") and Chief Operating Officer, was determined to be the Company's CEO. The Company regularly assesses its organizational structure, product/service offerings and information evaluated by the CODM to determine whether any changes have occurred that would impact its segment reporting structure. During the first quarter of 2017, the Company realigned its business into three reportable segments, which reflect how the Company delivers services to customers and how its business is organized internally. These segments are: (1) Americas Staffing, (2) Global Talent Solutions ("GTS") and (3) International Staffing. Accordingly, prior year's segment information was recast to conform to the current presentation. Intersegment revenue represents revenue earned between the reportable segments and is eliminated from total segment revenue from services.

Americas Staffing represents the Company's branch-delivered staffing business in the U.S., Canada, Puerto Rico, Mexico and Brazil. International Staffing represents the EMEA region branch-delivered staffing business, as well as the Company's APAC

region staffing business prior to the transaction to form the PersolKelly Asia Pacific joint venture in July 2016. Americas Staffing and International Staffing both deliver temporary staffing, as well as direct-hire placement services, in office-clerical, educational, light industrial and professional and technical specialties within their geographic regions.

GTS combines the delivery structure of the Company's outsourcing and consulting group and centrally delivered staffing business. It reflects the trend of customers towards the adoption of holistic talent supply chain solutions which combine contingent labor, full-time hiring and outsourced services. GTS includes centrally delivered staffing, recruitment process outsourcing ("RPO"), contingent workforce outsourcing ("CWO"), business process outsourcing ("BPO"), payroll process outsourcing ("PPO"), executive placement, career transition/outplacement services and talent advisory services.

Corporate expenses that directly support the operating units have been allocated to Americas Staffing, GTS and International Staffing 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 benefit a specific operating segment.

In connection with the realignment of the segment structure, we reassessed the allocation of corporate expenses to the operating segments and updated the allocation method for corporate expenses which do not have a readily available measurement from revenue to gross profit. Prior periods have been recast to reflect the current period allocation method. The update had no impact on the consolidated financial information.

The following tables present information about the reported revenue from services and gross profit of the Company by segment, along with a reconciliation to consolidated earnings before taxes and equity in net earnings (loss) of affiliate, for 2017, 2016 and 2015. GTS segment SG&A expenses for 2016 include a $2.8 million out-of-period adjustment recorded in the fourth quarter of 2016 related to certain aged accounts receivable recorded prior to 2015 at a subsidiary in Germany. The correction did not have a material effect on any of the periods impacted.

Asset information by reportable segment is not presented, since the Company does not produce such information internally nor does it use such data to manage its business.

	2017	2016	2015
		(In millions of dollars)	
Revenue from Services:			
Americas Staffing	$ 2,345.9	$ 2,191.6	$ 2,209.0
Global Talent Solutions	1,998.9	1,977.1	1,997.2
International Staffing	1,048.2	1,127.1	1,332.7
Less: Intersegment revenue	(18.6)	(19.0)	(20.7)
Consolidated Total	$ 5,374.4	$ 5,276.8	$ 5,518.2

	2017	2016	2015
		(In millions of dollars)	
Earnings from Operations:			
Americas Staffing gross profit	$ 429.1	$ 398.2	$ 394.1
Americas Staffing SG&A expenses	(346.4)	(329.4)	(333.6)
Americas Staffing Earnings from Operations	82.7	68.8	60.5
Global Talent Solutions gross profit	373.7	345.9	331.4
Global Talent Solutions SG&A expenses	(296.7)	(287.7)	(260.5)
Global Talent Solutions Earnings from Operations	77.0	58.2	70.9
International Staffing gross profit	153.7	166.4	199.0
International Staffing SG&A expenses	(131.6)	(146.9)	(175.7)
International Staffing Earnings from Operations	22.1	19.5	23.3
Less: Intersegment gross profit	(2.4)	(4.2)	(4.2)
Less: Intersegment SG&A expenses	2.4	4.2	4.2
Net Intersegment Activity	—	—	—
Corporate	(98.5)	(83.3)	(88.0)
Consolidated Total	83.3	63.2	66.7
Gain on investment in equity affiliate	—	87.2	—
Other Expense, Net	(1.6)	(0.7)	(3.5)
Earnings Before Taxes	$ 81.7	$ 149.7	$ 63.2

A summary of revenue from services by geographic area for 2017, 2016 and 2015 follows:

	2017	2016	2015
	(In millions of dollars)		
Revenue From Services:			
United States	$ 3,894.6	$ 3,722.5	$ 3,705.2
International	1,479.8	1,554.3	1,813.0
Total	$ 5,374.4	$ 5,276.8	$ 5,518.2

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 2017 and 2016 follows:

	2017	2016
	(In millions of dollars)	
Long-Lived Assets:		
United States	$ 74.3	$ 69.5
International	11.8	11.3
Total	$ 86.1	$ 80.8

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

19. New Accounting Pronouncements

In February 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2018-02 allowing reclassification from accumulated other comprehensive income to retained earnings for the income tax effects resulting from the Tax Cuts and Jobs Act (the "Act") enacted by the U.S. federal government in December 2017. The new guidance eliminates the stranded tax effects resulting from the Act and will improve the usefulness of information reported to financial statement users. It also requires certain disclosures about stranded tax effects. ASU 2018-02 relates only to the reclassification of the income tax effects of the Act and does not change the underlying guidance requiring that the effect of a change in tax laws or rates be included in income from continuing operations. The ASU is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2018. It should be applied either in the period of adoption or retrospectively to each period (or periods) in which the effect of the change in the U.S. federal corporate income tax rate in the Act is recognized. Early adoption is permitted. We are currently evaluating the impact of the new guidance on our consolidated financial statements and related disclosures.

In May 2017, the FASB issued ASU 2017-09 clarifying when changes to the terms or conditions of a share-based payment award must be accounted for as modifications. The new guidance will reduce diversity in practice and result in fewer changes to the terms of an award being accounted for as modifications. It does not change the accounting for modifications. The ASU is effective prospectively for reporting periods beginning after December 15, 2017, with early adoption permitted, including adoption in any interim period for which financial statements have not yet been issued. We do not expect the adoption of this ASU will have a material impact on our consolidated financial statements.

In January 2017, the FASB issued ASU 2017-04 simplifying the accounting for goodwill impairment for all entities. The new guidance eliminates the requirement to calculate the implied fair value of goodwill (Step 2 of the current two-step goodwill impairment test under ASC 350). Instead, entities will record an impairment charge based on the excess of a reporting unit's carrying amount over its fair value (Step 1 of the current two-step goodwill impairment test). The ASU is effective prospectively for reporting periods beginning after December 15, 2019, with early adoption permitted for annual and interim goodwill impairment testing dates after January 1, 2017. We are currently evaluating the impact of the new guidance on our goodwill impairment testing process and consolidated financial statements.

In November 2016, the FASB issued ASU 2016-18 amending the presentation of restricted cash within the statement of cash flows. The new guidance requires that restricted cash be included within cash and cash equivalents on the statement of cash flows. The ASU is effective retrospectively for reporting periods beginning after December 15, 2017, with early adoption permitted. We are currently evaluating the impact of the new guidance and we do not expect it to have a material impact on our consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15 clarifying how entities should classify certain cash receipts and payments on the statement of cash flows. The new guidance addresses classification of cash flows related to the following transactions: 1) debt prepayment or debt extinguishment costs; 2) settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing; 3) contingent consideration payments made after a business combination; 4) proceeds from the settlement of insurance claims; 5) proceeds from the settlement of corporate-owned life insurance policies; 6) distributions received from equity method investees; and 7) beneficial interests in securitization transactions. ASU 2016-15 also clarifies how the predominance principle should be applied when cash receipts and cash payments have aspects of more than one class of cash flows. This ASU is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2017 and requires retrospective application. Early adoption is permitted. We are currently evaluating the impact of the new guidance on our consolidated financial statements and related disclosures.

In June 2016, the FASB issued ASU 2016-13 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 current methodology of delaying recognition of credit losses until it is probable a loss has been incurred. 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 are currently evaluating the impact of the new guidance on our consolidated financial statements and related disclosures. This ASU applies to trade accounts receivable and may have an impact on our calculation of the allowance for uncollectible accounts receivable.

In March 2016, the FASB issued ASU 2016-09 amending several aspects of share-based payment accounting. This guidance requires all excess tax benefits and tax deficiencies to be recorded in the income statement when the awards vest or are settled, with prospective application required. The guidance also changes the classification of such tax benefits or tax deficiencies on the statement of cash flows from a financing activity to an operating activity, with retrospective or prospective application allowed. Additionally, the guidance requires the classification of employee taxes paid when an employer withholds shares for tax-withholding purposes as a financing activity on the statement of cash flows, with retrospective application required. This ASU is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2016. Early adoption is permitted. We adopted this guidance effective January 2, 2017, and the adoption did not have a material effect on our consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02 amending the existing accounting standards for lease accounting and requiring lessees to recognize lease assets and lease liabilities for all leases with lease terms of more than 12 months, including those classified as operating leases. Both the asset and liability will initially be measured at the present value of the future minimum lease payments, with the asset being subject to adjustments such as initial direct costs. Consistent with current U.S. GAAP, the presentation of expenses and cash flows will depend primarily on the classification of the lease as either a finance or an operating lease. The new standard also requires additional quantitative and qualitative disclosures regarding the amount, timing and uncertainty of cash flows arising from leases in order to provide additional information about the nature of an organization's leasing activities. This ASU is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2018 and requires modified retrospective application. Early adoption is permitted. We are currently evaluating the impact of the new guidance on our consolidated financial statements and related disclosures. As our branch operations are primarily conducted in leased facilities, this ASU will likely have a material impact on our consolidated balance sheet, may have a material impact to our consolidated statement of earnings and will require us to disclose additional information about our leasing activities. We established a cross-functional implementation team to further assess the impact of the standard.

In January 2016, the FASB issued ASU 2016-01 amending the current guidance for how entities measure certain equity investments, the accounting for financial liabilities under the fair value option, and the presentation and disclosure requirements relating to financial instruments. The new guidance requires entities to use fair value measurement for equity investments in unconsolidated entities, excluding equity method investments, and to recognize the changes in fair value in net income at the end of each reporting period. Under the new standard, for any financial liabilities in which the fair value option has been elected, the changes in fair value due to instrument-specific credit risk must be recognized separately in other comprehensive income. Presentation and disclosure requirements under the new guidance require public business entities to use the exit price

when measuring the fair value of financial instruments measured at amortized cost. In addition, financial assets and liabilities must now be presented separately in the notes to the financial statements and grouped by measurement category and form of financial asset. This ASU is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2017. Early adoption is only permitted for the financial liability provision. We are currently evaluating the impact of the new guidance on our consolidated financial statements and related disclosures. We expect to implement the standard with the modified retrospective method and the cumulative reclassification adjustment between other comprehensive income and retained earnings on the consolidated balance sheet is expected to be material. This standard will impact how we recognize changes in the fair value of our available-for-sale investment. Those amounts will now be recognized as gains or losses in our consolidated statements of earnings rather than as a component of other comprehensive income, and could have a material impact on our consolidated financial statements. For example, we have performed a sensitivity analysis in which a 140 yen, or 5%, change in the Persol stock price as of December 31, 2017 would result in an $11.4 million change in pretax income. See Fair Value Measurements footnote for additional information on the investment.

In May 2014, the FASB issued new revenue recognition guidance under ASU 2014-09 that will supersede the existing revenue recognition guidance under U.S. GAAP. The new standard focuses on creating a single source of revenue guidance for revenue arising from contracts with customers for all industries. The objective of the new standard is for companies to recognize revenue when it transfers the promised goods or services to its customers at an amount that represents what the company expects to be entitled to in exchange for those goods or services. In July 2015, the FASB deferred the effective date by one year (ASU 2015-14). This ASU will now be effective for annual periods, and interim periods within those annual periods, beginning on or after December 15, 2017. Since the issuance of the original standard, the FASB has issued several other subsequent updates including the following: 1) clarification of the implementation guidance on principal versus agent considerations (ASU 2016-08); 2) further guidance on identifying performance obligations in a contract as well as clarifications on the licensing implementation guidance (ASU 2016-10); 3) rescission of several SEC Staff Announcements that are codified in Topic 605 (ASU 2016-11); 4) additional guidance and practical expedients in response to identified implementation issues (ASU 2016-12); and 5) technical corrections and improvements (ASU 2016-20). The new standard is effective for us beginning January 1, 2018.

We established a cross-functional implementation team consisting of representatives from across our business segments and various departments. We utilized a bottom-up approach to analyze the impact of the standard on our various revenue streams by reviewing our current contracts with customers, accounting policies and business practices to identify potential differences that would result from applying the requirements of the new standard. In addition, we identified, and are in the process of implementing, appropriate changes to our business processes, systems and controls to support recognition and disclosure under the new standard.

We have been closely monitoring FASB activity related to the new standard to conclude on specific interpretive issues. During 2016 and 2017, we made significant progress toward completing our evaluation of the potential impact that adopting the new standard will have on our consolidated financial statements. Based on our preliminary analysis, revenue from our temporary staffing contracts and substantially all of our other contracts with customers will continue to be recognized over time as services are rendered. The primary impact of adopting ASU 2014-09 is anticipated to be the deferral of contract costs. Additionally, we anticipate expanded disclosures around the nature, amount, timing and uncertainty of revenue and cash flows arising from our contracts with customers. As we finalize our review of current contracts with customers, accounting policies and business practices, we will continue to evaluate the impact of this guidance on our consolidated financial statements, disclosures and internal controls. Our preliminary assessments are subject to change. We expect to implement the standard with the modified retrospective approach effective January 1, 2018, which recognizes the cumulative effect of application recognized on that date. The cumulative effect adjustment is expected to be less than $5 million and the ongoing impact to revenue and earnings from operations is not expected to be material.

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.

20. Related Party Transactions

Terence E. Adderley, the Executive Chairman and Chairman of the Board of our board of directors, and certain trusts with respect to which he acts as trustee or co-trustee, control approximately 93% of the outstanding shares of Kelly Class B common stock, which is the only class of our common stock entitled to voting rights. Mr. Adderley receives compensation relative to his services as executive chairmen of the Company. There were no material transactions between the Company and Terence E. Adderley in 2017 or 2016.

See Investment in PersolKelly Asia Pacific footnote for a description of related party activity with PersolKelly Asia Pacific.

21. Selected Quarterly Financial Data (unaudited)

	Fiscal Year 2017				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
	(In millions of dollars except per share data)				
Revenue from services	$ 1,289.7	$ 1,333.6	$ 1,328.8	$ 1,422.3	$ 5,374.4
Gross profit	231.6	228.8	230.7	263.0	954.1
SG&A expenses [2]	215.2	208.5	212.5	234.6	870.8
Restructuring charges included in SG&A expenses	2.4	—	—	—	2.4
Net earnings	12.2	18.7	23.0	17.7	71.6
Basic earnings per share [1]	0.31	0.48	0.59	0.46	1.84
Diluted earnings per share [1]	0.31	0.47	0.58	0.45	1.81
Dividends per share	0.075	0.075	0.075	0.075	0.30

	Fiscal Year 2016				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter [3]	Year
	(In millions of dollars except per share data)				
Revenue from services	$ 1,349.1	$ 1,375.5	$ 1,247.8	$ 1,304.4	$ 5,276.8
Gross profit	232.7	230.5	215.1	228.0	906.3
SG&A expenses	218.0	220.6	196.3	208.2	843.1
Restructuring charges included in SG&A expenses	—	3.4	—	—	3.4
Gain on investment in PersolKelly Asia Pacific	—	—	87.2	—	87.2
Net earnings	11.2	8.9	80.9	19.8	120.8
Basic earnings per share [1]	0.29	0.23	2.08	0.51	3.10
Diluted earnings per share [1]	0.29	0.23	2.06	0.51	3.08
Dividends per share	0.05	0.075	0.075	0.075	0.275

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

(2) SG&A expenses in the third quarter and full year of 2017 includes a $2.8 million and $1.4 million, respectively, benefit resulting from an out-of-period correction of expenses that were overstated in prior periods.

(3) SG&A expenses in the fourth quarter of 2016 includes a $2.8 million out-of-period adjustment related to certain aged accounts receivable recorded prior to 2015 at a subsidiary in Germany. The correction did not have a material effect on any of the periods impacted.

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

Description		Balance at beginning of year	Additions: Charged to costs and expenses	Additions: Charged to other accounts	Currency exchange effects	Deductions from reserves		Balance at end of year
Fiscal year ended December 31, 2017								
Reserve deducted in the balance sheet from the assets to which it applies -								
Allowance for doubtful accounts	$	12.5	5.3	0.3 [(1)]	0.6	(5.8)	$	12.9
Deferred tax assets valuation allowance	$	42.1	1.7	—	3.3	(12.5)	$	34.6
Fiscal year ended January 1, 2017								
Reserve deducted in the balance sheet from the assets to which it applies -								
Allowance for doubtful accounts	$	10.5	10.2	0.8 [(1)]	(0.8)	(8.2)	$	12.5
Deferred tax assets valuation allowance	$	50.9	2.4	—	(2.9)	(8.3)	$	42.1
Fiscal year ended January 3, 2016								
Reserve deducted in the balance sheet from the assets to which it applies -								
Allowance for doubtful accounts	$	10.7	3.7	—	(0.5)	(3.4)	$	10.5
Deferred tax assets valuation allowance	$	58.5	2.0	—	(5.3)	(4.3)	$	50.9

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

INDEX TO EXHIBITS
REQUIRED BY ITEM 601
REGULATIONS S-K

Exhibit No.	Description
3.1	Restated Certificate of Incorporation, effective May 6, 2009 (Reference is made to Exhibit 3.1 to the Form 10-Q filed with the Commission on May 7, 2014, which is incorporated herein by reference).
3.2	By-laws, effective May 6, 2009 (Reference is made to Exhibit 3.2 to the Form 10-Q filed with the Commission on May 7, 2014, which is incorporated herein by reference).
10.1*	Kelly Services, Inc. Short-Term Incentive Plan, as amended and restated February 12, 2015 (Reference is made to Exhibit 10.1 to the Form 10-Q filed with the Commission on August 5, 2015, which is incorporated herein by reference).
10.2*	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).
10.3*	Kelly Services, Inc. Senior Executive Severance Plan (Reference is made to Exhibit 10.3 to the Form 10-Q filed with the Commission on May 11, 2017, which is incorporated herein by reference).
10.4*	Kelly Services, Inc. Non-Employee Directors Deferred Compensation Plan.
10.6	Second amended and restated credit agreement, dated December 5, 2016 (Reference is made to Exhibit 10.6 to the Form 8-K filed with the Commission on December 9, 2016, which is incorporated herein by reference).
10.12*	Kelly Services, Inc. 2008 Management Retirement Plan – Post 2004 (Reference is made to Exhibit 10.12 to the Form 10-Q filed with the Commission on November 7, 2012, which is incorporated herein by reference).
10.13*	First Amendment to the Kelly Services, Inc. 2008 Management Retirement Plan (Reference is made to Exhibit 10.13 to the Form 10-Q filed with the Commission on November 7, 2012, which is incorporated herein by reference).
10.14	Pledge and Security Agreement, dated September 28, 2009 (Reference is made to Exhibit 10.14 to the Form 8-K filed with the Commission on September 29, 2009, which is incorporated herein by reference).
10.15	First Amended and Restated Purchase Agreement, dated December 5, 2016 (Reference is made to Exhibit 10.15 to the Form 8-K filed with the Commission on December 9, 2016, which is incorporated herein by reference).
10.21*	Amendment to Kelly Services, Inc. 2008 Management Retirement Plan. (Reference is made to Exhibit 10.21 to the Form 8-K filed with the commission on August 11, 2014, which is incorporated herein by reference.)
14	Code of Business Conduct and Ethics, adopted August 7, 2017. (Reference is made to Exhibit 14 to the Form 10-Q filed with the commission on November 8, 2017, which is incorporated herein by reference.)
21	Subsidiaries of Registrant.

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

Exhibit No.	Description
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	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

* Indicates a management contract or compensatory plan or arrangement.

Exhibit 10.4

KELLY SERVICES, INC.

NON-EMPLOYEE DIRECTORS DEFERRED COMPENSATION PLAN

(EFFECTIVE MAY 10, 2017)

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KELLY SERVICES, INC.
NON-EMPLOYEE DIRECTORS DEFERRED COMPENSATION PLAN

ARTICLE I

ESTABLISHMENT AND RESTATEMENT OF THE PLAN

Kelly Services, Inc. established, effective as of May 10, 2017, the Kelly Services, Inc. Non-Employee Directors Deferred Compensation Plan on the terms and conditions hereinafter set forth. Such Plan provides non-employee directors with the opportunity to defer portions of all fees payable to non-employee directors in accordance with the provisions of the Plan. Pursuant to a resolution approved by the Board on August 7, 2017, that allowed for the Plan to be amended and restated to allow for separate deferral percentages to be applied against the amount of cash and Common Stock that can be deferred, respectively. The Plan is intended to be a non-qualified deferred compensation arrangement in compliance with Section 409A of the Code, as stated in Section 7.8.

ARTICLE 2

DEFINITIONS

The following terms shall have the following meanings described in this Article unless the context clearly indicates another meaning. All references in the Plan to specific Articles or Sections shall refer to Articles or Sections of the Plan unless otherwise stated.

2.1 Account means the record established for each Participant in accordance with Section 5.1, which may include sub-accounts, at the discretion of the Plan Administrator.

2.2. Beneficiary or Beneficiaries means the person or persons, including one or more trusts, designated by a Director in accordance with this Plan to receive payments of the remaining balance of the Director's Account in the event of the death of the Director prior to the Director's receipt of the entire amount credited to his Account.

2.3 Beneficiary Designation Form means the form established from time to time by the Committee that a Director completes, signs and returns to the Company.

2.4 Board means the Board of Directors of the Company.

2.5 Change in Control means the occurrence of a "change in the ownership," a "change in the effective control" or a "change in the ownership of a substantial portion of the assets" of Kelly Services, Inc. within the meaning of Section 409A of the Code.

2.6 Code means the Internal Revenue Code of 1986, as amended.

2.7 Commencement Date means the date a Participant's Account becomes payable in accordance with Section 6.1.

2.8 Committee means the Company's Compensation Committee of the Board, or its designee.

2.9 Common Stock means a share of Class A common stock, par value 1.00 per share of the Company.

2.10 Company means Kelly Services, Inc. and its successors, including, without limitation, the surviving corporation resulting from any merger or consolidation of Kelly Services, Inc. with any other corporation, limited liability company, joint venture, partnership or other entity or entities.

2.11 Deferred Compensation means a portion of the Participant's Director Fees allocated to the Participant's Account in accordance with Section 4.1 of the Plan.

2.12 Director means any individual who is a member of the Board and who is not an employee of the Company or its subsidiaries or affiliates, but shall not include a non-resident alien, unless the Plan Administrator states otherwise.

2.13 Director Fees means the annual cash retainer for Board and committee service, special assignment fee, meeting fees, committee chair or lead director fees, and other cash and Common Stock payable to a Participant for service to the Company as a Director, including the portion of the annual retainer payable in the form of Common Stock pursuant to the Non-Employee Directors Stock Plan or the Equity Incentive Plan.

2.14 Election Agreement means the agreement entered into by a Participant in the manner determined by the Company (including, but not limited to, written agreement, or other electronic medium using a third-party administrator, or any combination thereof) pursuant to which the Director becomes a Participant in the Plan and selects Deferred Compensation and the period over which such amounts and investment return thereon will be distributed, or pursuant to which a Participant ceases the effectiveness of an Election Agreement with respect to Director Fees payable for services rendered in a subsequent Plan Year. The Commencement Date as defined in Section 6.1 and the form of payment pursuant to Section 6.2 selected on a Participant's first Election Agreement shall apply to all Deferred Compensation, unless a change is made pursuant to Section 6.3, which will also be effective for all Deferred Compensation.

2.15 MRP means the Kelly Services, Inc. Management Retirement Plan.

2.16 Participant means any Director who (i) at any time elected to defer the receipt of Director Fees in accordance with the Plan and (ii) in conjunction with his or her Beneficiary, has not received a complete payment of the vested amount credited to his or her Account.

2.17 Plan means the Kelly Services, Inc. Non-Employee Directors Deferred Compensation Plan.

2.18 Plan Administrator means the Compensation Committee, to the extent that the Committee is comprised of at least two members of the Board who satisfy the "non-employee director" definition set forth in Rule l 6b-3, or its delegate or delegates appointed to administer the Plan.

2.19 Plan Year means the period beginning on January I and ending on December 31 of each year.

2.20 Separation from Service means the Participant's termination as a director of the Company that constitutes a "separation from service" within the meaning of Section 409A of the Code.

2.21 Subsequent Payment Election has the meaning given to such term in Section 6.3 hereof.

2.22 Valuation Date means the last business day of each calendar month or such other dates as determined by the Plan Administrator .

2.23 Year of Service means the approximately 12-month period beginning on the date of an annual shareholders' meeting of the Company and ending on the day before the Company's annual shareholders' meeting of the next following year, during which an individual serves as a Director.

ARTICLE 3

PARTICIPATION AND YEARS OF SERVICE

3.1 Eligibility. All Directors shall be eligible to participate in the Plan, commencing as provided in this Section 3.I. For the Year of Service commencing in 2017, Directors holding such position as of the 2017 annual shareholders' meeting are eligible to participate in the Plan and only with respect to Director Fees payable for services for the Year of Service commencing on such date. For the Year of Service commencing in 2018 and for each Year of Service thereafter, Directors holding such position as of December I preceding each Year of Service are eligible to participate in the Plan with respect to Director Fees for services for the Year of Service commencing in the immediately succeeding Plan Year. Directors who are elected to serve on or after the commencement of a Year of Service can be eligible to participate in the Plan for Director Fees payable for services rendered after the Election Agreement is irrevocably filed, as provided in Section 4.2(a).

3.2 Participation. A Director shall become a Participant as of the date he or she satisfies the eligibility requirements of Section 3.1 and with respect to Deferred Compensation, completes all administrative forms required by the Plan Administrator in the manner determined by the Company (including, but not limited to, written forms provided by the Plan Administrator, or other electronic medium using a third-party administrator, or any combination thereof). An individual's entitlement to defer Director Fees shall cease with respect to the Year of Service following the calendar year in which he or she ceases to be a Director, although such individual shall continue to be subject to all of the terms and conditions of the Plan for as long as he or she remains a Participant.

ARTICLE 4

BENEFITS

4.1 Deferred Compensation. A Participant may elect to have his or her Director Fees deferred in any whole percentage of up to I 00%, of the Participant's Director Fees for services rendered during each Year of Service (or such other percentage as specified by the Plan Administrator) and to have that amount credited to his or her Account as Deferred Compensation. An Election Agreement can allow for the designation of a different percentage to defer the cash and Common Stock components of Directors Fees payable with respect to each Year of Service. Amounts deferred under the Plan are subject to applicable tax withholding. A Participant shall at all times have a fully vested interest in his or her Deferred Compensation and the earnings allocable thereto. Deferred Compensation shall be credited to a Participant's Account as of the dates specified by the Plan Administrator.

4.2 Election Procedures.

(a) Except as provided in Section 4.2(t), a Director who has not previously participated in the Plan must complete and submit an irrevocable Election Agreement to the Plan Administrator in the manner determined by the Company (including, but not limited to, written agreement, or other electronic medium using a third-party administrator, or any combination thereof) no later than thirty (30) days following the date on which such Director first becomes eligible to participate in the Plan under Section 3 in order to become a Participant in the Plan Year in which the Director first becomes eligible. Such Election Agreement shall set forth the amount of Director Fees, if any, the Participant wishes to defer into the Plan under Section 4.1 and the time and manner of payment. An Election Agreement made under this Section 4.2(a) will remain in effect until a new Election Agreement made by the Participant under Section 4.2(c) has become irrevocable or until the deferral election made pursuant to the Election Agreement hereunder is otherwise cancelled in accordance with Section 4.2(e). All Election Agreements made by a newly eligible Director after such thirty (30)-day period and all Election Agreements made by an Director who is treated as previously having participated in the Plan must be made in accordance with Section 4.2(c). An Election Agreement can provide for the designation of a different percentage to defer the cash and Common Stock components of Directors Fees payable with respect to each Year of Service, which would include the portion of the annual retainer payable in the form of Common Stock pursuant to the Non-Employee Directors Stock Plan or Equity Incentive Plan. Once the Election Agreement becomes irrevocable under this Section 4.2(a), a Participant may

modify the time and manner of payment of his or her Account subject to such Election Agreement only in accordance with Section 6.3.

For this purpose, a Director is treated as not having previously participated in the Plan if as of the date he or she is eligible to participate, he or she is not eligible to participate in an "aggregated plan," as defined pursuant to Section 409A of the Code, of the Company or any affiliate and has not previously been eligible to participate in the Plan or an "aggregated plan."

(b) A newly eligible Participant's Election Agreement with respect to the deferral of Director Fees that is made with the Plan Administrator in accordance with Section 4.2(a) shall be effective only as to Director Fees payable with respect to services rendered by the Participant after the date the Election Agreement becomes irrevocable. An Election Agreement made under this Section 4.2(b) will remain in effect until a new Election Agreement made by the Participant under Section 4.2(c) has become irrevocable or until the deferral election made pursuant to the Election Agreement hereunder is otherwise cancelled in accordance with Section 4.2(e).

(c) A Participant who is not eligible to make an Election Agreement under Section 4.2(a) may make an Election Agreement with respect to the deferral of Director Fees at any time in accordance with this Section 4.2(c) by completing and submitting an Election Agreement to the Plan Administrator in the manner determined by the Company (including, but not limited to, written agreement, or other electronic medium using a third-party administrator, or any combination thereof). The Election Agreement with respect to the deferral of Director Fees shall become irrevocable on December 31 of the Plan Year in which it is submitted to the Plan Administrator and shall only apply to Director Fees earned for the Year of Service commencing in the immediately following Plan Year. An Election Agreement made under this Section 4.2(c) by a Participant will remain in effect until a new Election Agreement made by the Participant under this Section 4.2(c) has become irrevocable or until the deferral election made pursuant to the Election Agreement hereunder is otherwise cancelled in accordance with Section 4.2(e). Once the Election Agreement becomes irrevocable under this Section 4.2(c), a Participant may modify the time and manner of payment of the Account subject to such Election Agreement only in accordance with Section 6.3.

(d) In the event a Participant fails to properly designate the time and manner of payment of his or her Account under Section 4.2(a) or Section 4.2(c) on the first Election Agreement, the Participant shall be deemed to have elected to receive his or her Account upon his or her Separation from Service (subject to Section 6.5) in a lump sum.

(e) Once an Election Agreement becomes irrevocable with respect to the deferral of Director Fees, the Election Agreement may not be cancelled for the applicable Year of Service. An Election Agreement remains in effect until a subsequent Election Form is filed pursuant to which a Participant ceases the effectiveness of an Election Agreement with respect to Director Fees payable for services rendered in a subsequent Plan Year. Notwithstanding the foregoing, the Plan Administrator may, in its sole discretion, cancel a Participant's Election Agreement with respect to the deferral of Director Fees for a Plan Year as the result of a Participant's disability, as defined for purposes of Section 409A of the Code, or other hardship to the extent such cancellation does not result in an acceleration of a Participant's Account in violation of Section 409A of the Code.

(f) Notwithstanding Section 4.2(a), for the Year of Service commencing with the 2017 shareholders meeting, an Election Agreement for Directors expected to be eligible on such date shall be made by April 21, 2017.

ARTICLE 5

ACCOUNTS

5.1 Participant Accounts. The Plan Administrator shall establish an Account in the name of each Participant. A Participant's Account shall be maintained by the Plan Administrator in accordance with the terms of this Plan until all of the Participant's Account has been distributed to a Participant or his or her Beneficiary in accordance with the terms of the Plan.

5.2 Investment Return. Each Account shall be deemed to bear an investment return on all existing amounts and future contributions as if the Account were invested in the manner elected by the Participant from a list of investment funds determined by the Company, from the date of crediting, and income and losses thereon, through the date of complete distribution of the Account. A Participant may change his or her investment election as of the dates specified by the Plan Administrator in accordance with the procedures specified by the Plan Administrator. If a Participant does not elect a form of investment on the Election Agreement, the Deferred Compensation will be invested in the default manner stated on the Election Agreement. The Company shall have no obligation to actually invest funds pursuant to a Participant's elections, and if the Company does invest funds, a Participant shall have no rights to any invested assets other than as a general unsecured creditor of the Company.

To the extent that Deferred Compensation represent Common Stock that was set by the Board pursuant to the Non-Employee Directors Stock Plan or the Equity Incentive Plan, such portion of the Deferred Compensation shall be credited to the Participant's Account in the form of Common Stock Units and the Participant cannot use an investment election to change the form of such portion of Deferred Compensation. Subject to limitations set by the Plan Administrator, a Participant can use an investment election to invest any other Deferred Compensation into Common Stock Units that will be credited to his or her Account and, when credited to such Common Stock Units, the Participant cannot use an investment election to change the form of such portion of Deferred Compensation. A Participant will not have any direct rights in any of the Common Stock Units credited to an Account.

Accounts credited with Common Stock Units shall also be credited with any dividends otherwise payable with respect to Common Stock.

"Common Stock Unit" means a unit available for award under the Plan which: (1) upon payout shall entitle the Participant to receive from the Company for each Common Stock Unit paid, a share of Common Stock, and (2) until settled or forfeited, if applicable, shall entitle the Participant's Account to be credited by the Company the equivalent of any cash dividend paid on Common Stock to which the Participant would have been entitled if, on the date of grant of such Common Stock Unit, the grantee of the Common Stock Unit had instead been granted a share of Common Stock.

5.3 Valuation of Accounts. The value of an Account as of any Valuation Date shall equal the value of the Participant's Account on the previous Valuation Date, plus the amounts credited to such Account, less any payments debited to such Account, plus the investment gain or loss deemed to be earned on such Account in accordance with Section 5.2, through the Valuation Date.

ARTICLE 6

DISTRIBUTIONS

6.1 When Distribution Begins. Pursuant to an Election Agreement or Subsequent Payment Election (as provided in Section 6.3), a Participant may designate that an Account be paid (or commence to be paid) on his or her Separation from Service or in a designated Plan Year in which falls an anniversary date that is the first through the tenth anniversary of such Separation from Service. The occurrence of such Separation from Service or the subsequent Plan Year in which there is a permitted anniversary date shall constitute the Commencement Date for such Account and such Account shall be paid in accordance with the process described in Section 6.5. The Commencement Date and the form of payment pursuant to Section 6.2 hereof selected on a Participant's first Election Agreement shall apply to all Deferred Compensation, unless a change is made pursuant to Section 6.3, which will also be effective for all Deferred Compensation.

6.2 Manner of Payment. A Participant's Account shall be distributed in a lump sum payment or annual installments, according to the Participant's Election Agreement applicable to such Account. The Participant may elect to have annual installment payments made over a 2 to 10 year payment period. If a Participant elects installment payments but no payment period on the first Election Agreement in effect, the annual installments will be made over ten years. Installment payments shall be calculated and recalculated annually by multiplying the

balance credited to the Participant's Account (including any increase or decrease resulting from payment of benefits and investment return) as of the most recent Valuation Date by a fraction, the numerator of which is one and the denominator of which is the remaining number of payments to be made to the Participant.

6.3 Valid Election Agreement Changes. Notwithstanding anything provided in Sections 6.1 or 6.2, a Participant may elect in the manner determined by the Company (including, but not limited to, written form provided by the Plan Administrator or other electronic medium, or any combination thereof) to change the time or manner of payment of his or her Account (a "Subsequent Payment Election"). The Subsequent Payment Election shall become irrevocable upon receipt by the Plan Administrator and shall be made in accordance with the following rules:

(a) The Subsequent Payment Election may not take effect until at least twelve (12) months after the date on which it is accepted by the Plan Administrator. The Subsequent Payment Election most recently accepted by the Plan Administrator and that satisfies the requirements of this Section 6.3 shall govern the payout of the Account.

(b) A Participant may make no more than two Subsequent Payment Elections to change the manner of payment of his or her Account to a manner of payment otherwise permitted under the Plan . Except in the event of the death of the Participant, the payment of such Account will be delayed for a period of at least five (5) years after the first day of the month that the Account would otherwise have been paid under the Plan if such Subsequent Payment Election had not been made (or, in the case of installment payments, at least five (5) years from the first day of the month that the first installment payment was scheduled to be made).

(c) A Participant may elect to change the time of payment of his or her Account to a time permitted under the Plan. Such Subsequent Payment Election must be filed with the Plan Administrator at least twelve (12) months prior to the first day of the month that the Account would otherwise have been paid under the Plan (or, in the case of installment payments, at least twelve (12) months from the first day of the month that the first installment payment was scheduled to be made). On such Subsequent Payment Election, the Participant must delay the payment date for a period of at least five (5) years after the first day of the month that the Account would otherwise have been paid under the Plan (or, in the case of installment payments, at least five (5) years from the first day of the month that the first installment payment was scheduled to be made).

(d) The Plan Administrator shall disregard any Subsequent Payment Election by a Participant to the extent such election would result in an acceleration of the time or schedule of any payment or amount scheduled to be paid under the Plan within the meaning of Section 409A of the Code.

6.4 Minimum Distribution. Subject to Section 6.5, if at the time of a Participant's Separation from Service or subsequent installment payment date, the balance credited to the Participant's Account as of the most recent Valuation Date is less than $10,000, then, notwithstanding any election made by the Participant on his or her Election Agreement, the Participant's Account shall be distributed in a lump sum payment.

6.5 Distribution Process.

(a) Payments will commence to be paid: (a) either within the first 60 days of a Participant's Separation from Service but not after December 31 of such Plan Year or (b) during the first sixty days of a designated Plan Year in which falls an anniversary date that is the first through the tenth anniversary of such Separation from Service.

In the case of installment payments, all payments that follow the first payment will be paid on a date during the first 60 days of each subsequent Plan Year.

(b) Notwithstanding Section 6.5(a), if a Participant's Account is payable as a result of the Participant's Separation from Service for any reason other than the Participant's death and such Participant is a "specified employee" within the meaning of Section 409A of the Code as of the date of his or her Separation from

Service (based on the methodology established by the Plan Administrator), such Account shall begin to be paid on the first day of the seventh month following the Participant's Separation from Service.

6.6 Death Benefits.

(a) If a Participant dies prior to his or her Commencement Date with respect to any Account, the date of the Participant's death will be determined to be the Commencement Date with respect to such Account for distribution of benefits to the Participant's Beneficiary. The distribution will be made in the form elected by the Participant with respect to the Account and paid in accordance with the process outlined in Section 6.5(a). If the Participant dies after his or her Commencement Date, benefits will continue to be distributed from such Account to the Beneficiary in the same manner as distributions were being made to the Participant.

(b) If a Participant is married at the time of his or her death, his or her surviving spouse will be his or her Beneficiary unless his or her spouse has consented in writing to the designation of another Beneficiary.

(c) The Participant may change the Beneficiary Designation Form at any time by signing and submitting a new Beneficiary Designation Form to the Plan Administrator in the manner determined by the Company (including, but not limited to, written form, or other electronic medium using a third-party administrator, or any combination thereof); provided, however, that a married Participant may not change his or her Beneficiary without the written consent of his or her spouse.

(d) If the Participant designates a trust as Beneficiary, the Plan Administrator shall determine the rights of the trustee without responsibility for determining the validity, existence or provisions of the trust. Further, neither the Plan Administrator nor the Company shall have responsibility for the application of sums paid to the trustee or for the discharge of the trust.

(e) If no Beneficiary has been designated, distribution shall be made to the Participant's spouse, or if none, to his or her children in equal shares, or if none, to his or her parents in equal shares, or if none, to his or her estate.

6.7 Acceleration of Payment. To the extent permitted by Section 409A of the Code, the Plan Administrator may, in its sole discretion, accelerate the time or schedule of a payment under the Plan as provided in this Section. The provisions of this Section are intended to comply with the exception to accelerated payments under Treasury Regulation Section l .409A-3(j) and shall be interpreted and administered accordingly.

(a) The Plan Administrator may, in its sole discretion, accelerate the time or schedule of a payment under the Plan to an individual other than the Participant as may be necessary to fulfill a domestic relations order (as defined in Section 4 l4(p)(l)(B) of the Code).

(b) The Plan Administrator may, in its sole discretion, provide for the acceleration of the time or schedule of a payment under the Plan to the extent necessary for any Federal officer or employee in the executive branch to comply with an ethics agreement with the Federal government. Additionally, the Plan Administrator may, in its sole discretion, provide for the acceleration of the time or schedule of a payment under the Plan to the extent reasonably necessary to avoid the violation of an applicable Federal, state, local, or foreign ethics law or conflicts of interest law (including where such payment is reasonably necessary to permit the Participant to participate in activities in the normal course of his or her position in which the Participant would otherwise not be able to participate under an applicable rule).

(c) Subject to Section 6.5(b) hereof, the Plan Administrator may, in its sole discretion, provide for the acceleration of the time or schedule of a payment under the Plan at any time the Plan fails to meet the requirements of Section 409A of the Code. The payment may not exceed the amount required to be included in income as a result of the failure to comply with the requirements of Section 409A of the Code.

(d) Subject to Section 6.5(b) hereof, the Plan Administrator may, in its sole discretion, provide for the acceleration of the time or schedule of a payment under the Plan to reflect payment of state, local, or foreign tax obligations arising from participation in the Plan that apply to an amount deferred under the Plan before the amount is paid or made available to the participant (the state, local, or foreign tax amount). Such payment may not exceed the amount of such taxes due as a result of participation in the Plan. The payment may be made in the form of withholding pursuant to provisions of applicable state, local, or foreign law or by payment directly to the participant. Additionally, the Plan Administrator may, in its sole discretion, provide for the acceleration of the time or schedule of a payment under the Plan to pay any income tax at source on compensation as a result of such payment and to pay any additional income tax at source imposed under the Code attributable to such additional compensation and taxes. However, the total payment under this acceleration provision must not exceed the aggregate of the state, local, and foreign tax amount, and the income tax withholding related to such state, local, and foreign tax amount.

(e) Subject to Section 6.5(b) hereof, the Plan Administrator may, in its sole discretion, provide for the acceleration of the time or schedule of a payment under the Plan where such payments occur as part of a settlement between the Participant and the Company (or any entity which would be considered to be a single employer with the Company under Section 4 l 4(b) or Section 414(c) of the Code) of an arm's length, bona fide dispute as to the Participant's right to the deferred amount.

(t) Subject to Section 6.5(b) hereof, the Plan Administrator may, in its sole discretion, provide for the acceleration of the time or schedule of a payment under the Plan as provided in Section 7.7 hereof.

(g) Subject to Section 6.5(b) hereof, a payment may be accelerated upon such other events and conditions as the Internal Revenue Service may prescribe in generally applicable guidance published in the Internal Revenue Bulletin.

Except as otherwise specifically provided in this Plan, including but not limited to Section 4.2(e), this Section 6.7 and Section 7.7 hereof, the Plan Administrator may not accelerate the time or schedule of any payment or amount scheduled to be paid under the Plan within the meaning of Section 409A of the Code.

6.8 Delay of Payments. To the extent permitted under Section 409A of the Code, the Plan Administrator may, in its sole discretion, delay payment under any of the following circumstances, provided that the Plan Administrator treats all payments to similarly situated Participants on a reasonably consistent basis:

(a) A Payment may be delayed where the Plan Administrator reasonably anticipates that the making of the payment will violate federal securities laws or other applicable law; provided that the delayed payment is made at the earliest date at which the Plan Administrator reasonably anticipates that the making of the payment will not cause such violation. For purposes of the preceding sentence, the making of a payment that would cause inclusion in gross income or the application of any penalty provision or other provision of the Code is not treated as a violation of applicable law.

(b) A payment may be delayed upon such other events and conditions as the Internal Revenue Service may prescribe in generally applicable guidance published in the Internal Revenue Bulletin.

6.9 Actual Payment Date. To the extent permitted by Section 409A of the Code and if the Company (pursuant to the applicable plan administrator under the MRP) takes action in a similar manner pursuant to the MRP to delay payment in the event that it is not administratively possible pursuant to the equivalent provision of Article VI under the MRP to make payment on the date (or within the periods) specified or the making of the payment would jeopardize the ability of the Company (or any entity which would be considered to be a single employer with the Company under Section 4 l 4(b) or Section 414(c) of the Code) to continue as a going concern, then the Plan Administrator shall take the same action to delay payment under this Plan. Notwithstanding the foregoing, payment must be made no later than the latest possible date permitted under Section 409A of the Code.

ARTICLE 7

ADMINISTRATION

7.1 Plan Administrator. The Compensation Committee, or its delegate or delegates shall have the sole responsibility for the administration of the Plan and is designated as Plan Administrator.

7.2 Appointment of Administrative Plan Administrator. The Compensation Committee may delegate its duties as Plan Administrator to a Benefit Plans Committee. The members of the Benefit Plans Committee shall be selected by the Company. If a Benefit Plans Committee is appointed, it shall be the Plan Administrator.

7.3 Powers of Plan Administrator. The Plan Administrator shall have the full and exclusive power, discretion and authority to administer the Plan. The determinations and decisions of the Plan Administrator are final and binding on all persons. The Plan Administrator's powers shall include but shall not be limited to, the power to:

(a) Maintain records pertaining to the Plan.

(b) Construe and interpret the terms and provisions of the Plan.

(c) Establish procedures by which Participants may apply for benefits under the Plan and appeal a denial of benefits.

(d) Determine the rights under the Plan of any Participant applying for or receiving benefits.

(e) Administer the claims procedure provided in this Article.

(f) Perform all acts necessary to meet the reporting and disclosure obligations imposed by the Employee Retirement Income Security Act of 1974 ("ERISA"), if applicable.

(g) Delegate specific responsibilities for the operation and administration of the Plan to such employees or agents as it deems advisable and necessary.

In the exercise of its powers, the Plan Administrator shall be entitled to rely upon all tables, valuations, certificates and reports furnished by any accountant or consultant and upon opinions given by any legal counsel in each case duly selected by the Plan Administrator.

7.4 Limitation of Liability. The Plan Administrator, the Company, and its officers and Board shall not be liable for any act or omission relating to their duties under the Plan, unless such act or omission is attributable to their own willful misconduct or lack of good faith.

7.5 Claims Procedures.

(a) All claims under the Plan shall be directed to the attention of the Plan Administrator. Any Participant or Beneficiary whose application for benefits or other claim under the Plan has been denied, in whole or in part, shall be given written notice of the denial by the Plan Administrator within sixty (60) days after the receipt of the claim. The notice shall explain that the Participant or Beneficiary may request a review of the denial and the procedure for requesting review. The notice shall describe any additional information necessary to perfect the Participant's or Beneficiary's claim and explain why such information is necessary. If a Participant or Beneficiary does not receive a written response to a claim within sixty (60) days after receipt of the claim by the Plan Administrator, the claim will be deemed to be denied.

(b) A Participant or Beneficiary may make a written request to the Plan Administrator for a review of any denial of claims under this Plan. The request for review must be in writing and must be made within

sixty (60) days after the mailing date of the notice of denial or the deemed denial. The request shall refer to the provisions of the Plan on which it is based and shall set forth the facts relied upon as justifying a reversal or modification of the determination being appealed.

(c) A Participant or Beneficiary who requests a review of denial of claims in accordance with this claims procedure may examine pertinent documents and submit pertinent issues and comments in writing. A Participant or Beneficiary may have a duly authorized representative act on his or her behalf in exercising his or her right to request a review and any other rights granted by this claims procedure. The Plan Administrator shall provide a review of the decision denying the claim within sixty (60) days after receiving the written request for review. If a Participant or Beneficiary does not receive a written response to a request for a review within the foregoing time limit, such request will be deemed to be denied. A decision by the Plan Administrator for review shall be final and binding on all persons.

7.6 Withholding of Taxes. Subject to Section 6.7 hereof, to the extent required by the law in effect at the time payments are made, the Company may withhold or cause to be withheld from any amounts deferred or payable under the Plan all federal, state, local and other taxes as shall be legally required. The Company shall have the right in its sole discretion to (i) require a Participant to pay or provide for payment of the amount of any taxes that the Company may be required to withhold with respect to amounts that the Company credits to a Participant's Account or (ii) deduct from any amount of Director Fees payable to the Participant the amount of any taxes that the Company may be required to withhold with respect to amounts that the Company credits to a Participant's Account.

7.7 Distributions Upon Termination of Plan. In the event that the Plan is terminated, the amounts allocated to a Participant's Account shall be paid to the Participant or his or her Beneficiary on the dates on which the Participant or his or her Beneficiary would otherwise receive payments hereunder without regard to the termination of the Plan. Notwithstanding the preceding sentence, and subject to Section 6.5(b) hereof:

(a) If the Company (pursuant to the applicable plan administrator under the MRP) takes action pursuant to Section 7.7(a), 7.7(b), or 7.7(c) of the MRP to terminate the MRP subject to the conditions therein, then the Plan Administrator shall take the same action with respect to this Plan.

(b) Other Events. If the Company takes action pursuant to Section 7.7(d) [shown as a second Section 7.7(a)] of the MRP to terminate the Plan, then the Plan Administrator shall take the same action with respect to this Plan.

(c) In addition to the other provisions of this Section 7.7, the Board shall have the authority, in its sole discretion, to terminate the Plan and pay each Participant pursuant to the terms of and in the same manner as permitted by Section 7.7 of the MRP.

7.8 Compliance with Section 409A of the Code.

(a) It is intended that the Plan comply with the provisions of Section 409A of the Code, so as to prevent the inclusion in gross income of any amounts deferred hereunder in a taxable year that is prior to the taxable year or years in which such amounts would otherwise actually be paid or made available to Participants or his or her Beneficiaries. This Plan shall be construed, administered, and governed in a manner that effects such intent, and the Plan Administrator shall not take any action that would be inconsistent with such intent.

(b) Although the Plan Administrator shall use its best efforts to avoid the imposition of taxation, interest and penalties under Section 409A of the Code, the tax treatment of deferrals under this Plan is not warranted or guaranteed. Neither the Company, the Board, nor the Plan Administrator (nor its designee) shall be held liable for any taxes, interest, penalties or other monetary amounts owed by any Participant, Beneficiary or other taxpayer as a result of the Plan.

(c) Any reference in this Plan to Section 409A of the Code will also include any proposed, temporary or final regulations, or any other guidance, promulgated with respect to such Section 409A by the U.S.

Department of Treasury or the Internal Revenue Service. For purposes of the Plan, the phrase "permitted by Section 409A of the Code," or words or phrases of similar import, shall mean that the event or circumstance shall only be permitted to the extent it would not cause an amount deferred or payable under the Plan to be includible in the gross income of a Participant or Beneficiary under Section 409A(a)(l) of the Code.

ARTICLE 8

MISCELLANEOUS

8.1 Unfunded Plan.

(a) The Plan shall be an unfunded plan maintained by the Company. The Company is not required to set aside, earmark or entrust any fund or money with which to pay its obligations under this Plan or to invest in any particular investment vehicle and may change investments of Company assets at any time.

(b) All benefits under this Plan shall be paid by the Company from its general assets, which assets shall, at all times, remain subject to the claims of the Company's creditors. Neither Participants, their Beneficiaries nor their legal representatives shall have any right, other than the right of an unsecured general creditor, against the Company in respect of any portion of a Participant's Account and shall have no right, title or interest, legal or equitable, in or to any asset of the Company.

8.2 Spendthrift Provision. The Plan shall not in any manner be liable for or subject to the debts or liabilities of any Participant or Beneficiary. No benefit or interest under the Plan is subject to assignment, alienation, pledge or encumbrance, whether voluntary or involuntary, except as provided in Section 6.7(a) relating to qualified domestic relations orders. Any assignment, alienation, pledge or encumbrance of benefits shall be void and will not be recognized by the Company except to the extent required by law. With respect to a qualified domestic relations order, a separate Account shall be established for the alternate payee in accordance with such order, with such Account immediately distributed to the alternate payee.

8.3 Employment Rights. The existence of the Plan shall not grant a Participant any legal or equitable right to continue as a Director nor affect the right of the Company to discharge a Participant.

8.4 Amendment or Termination. Kelly Services, Inc. reserves the right to amend, terminate or freeze the Plan, in whole or in part, at any time by action of its Board, and the Committee reserves the right to amend or modify the Plan with respect to administrative matters at any time without prior notice by action of the Committee. Moreover, the Committee may amend the Plan at any time in its sole discretion to ensure that the Plan complies with the requirements of Section 409A of the Code or other applicable law; provided, however, that such amendments, in the aggregate, may not materially increase the benefit costs of the Plan. In no event shall any such action by the Board or Committee adversely affect any Participant or Beneficiary who has an Account, or result in any change in the timing or manner of payment of the amount of any Account (except as otherwise permitted under the Plan), without the consent of the Participant or Beneficiary, unless the Board or the Committee, as the case may be, determines in good faith that such action is necessary to ensure compliance with Section 409A of the Code. To the extent permitted by Section 409A of the Code, the Committee may, in its sole discretion, modify the rules applicable to Election Agreements and Subsequent Payment Elections to the extent necessary to satisfy the requirements of the Uniformed Service Employment and Reemployment Rights Act of 1994, as amended, 38 U.S.C. 4301-4334.

8.5 No Fiduciary Relationship Created. Nothing contained in this Plan, and no action taken pursuant to the provisions of this Plan, shall create or be deemed to create a fiduciary relationship between the Company or Plan Administrator and any Participant, Beneficiary or any other person.

8.6 Obligations to Employer. If a Participant becomes entitled to a distribution under the Plan and if at such time the Participant has outstanding any debt, obligation, or other liability representing an amount owing to the Company that has been presented to the Plan Administrator within twelve (12) months after the Participant's Separation from Service, then, subject to the requirements of Section 409A of the Code (including the delay of

payments required under Section 6.5(b)), the Plan Administrator may offset such amount owed to it against the amount otherwise distributable.

8.7 Receipt of Release. Any payment to any Participant or Beneficiary in accordance with the provisions of this Plan shall, to the extent thereof, be in full satisfaction of all claims against the Plan Administrator, the Company and any of their officers, directors, shareholders, employees or agents. The Plan Administrator may require a Participant or Beneficiary, as a condition precedent to a payment from the Plan, to execute a release. The Plan Administrator shall provide such release within 10 days after the Commencement Date and the Participant must return such release to the Plan Administrator within 50 days after the Commencement Date.

8.8 No Warranty or Representation. The Company makes no warranty or representation regarding the effect of deferrals made or benefits paid under this Plan for federal, state or local tax purposes.

8.9 Construction. Wherever the context of the Plan dictates, words used in the plural shall be read as the singular and the singular as the plural.

8.10 Governing Law. The provisions of the Plan shall be governed by the laws of the State of Michigan.

8.11 Counterparts. This Plan may be signed in any one or more counterparts each of which together shall constitute one instrument.

8.12 Expenses. Subject to Section 409A of the Code (including the delay of payments required under Section 6.5(b)), the Company may elect to debit a Participant's Account for the expenses of administration of the Plan, including the expenses of the Plan Administrator and the fees of any trustee.

IN WITNESS WHEREOF, the Company has amended and restated this Plan on this 7th day of August, 2017.

KELLY SERVICES, INC.

/s/ James Polehna

By: James Polehna, Corporate Secretary

4813-8632-3789 .7

SUBSIDIARIES OF REGISTRANT

Kelly Services, Inc.

Subsidiary	State/Jurisdiction of Incorporation	Business Name
Kelly Services (Canada), Ltd.	Canada	Kelly Services
Kelly Global Business Services, LLC	Michigan	Kelly Services
Kelly Services Global, LLC	Michigan	Kelly Services
Kelly Services USA, LLC	Michigan	Kelly Services
Kelly Properties, LLC	Delaware	Kelly Properties
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
Teachers On Call, Inc. (a subsidiary of Kelly Services USA, LLC)	Minnesota	Teachers On Call
Kelly Services Management S.a.r.l. (a subsidiary of Kelly Services, Inc. and Kelly Properties, LLC)	Switzerland	Kelly Services
Kelly Services (Suisse), SA (a subsidiary of Kelly Services Management S.a.r.l.)	Switzerland	Kelly Services
Kelly Services Outsourcing and Consulting Group Sarl (a subsidiary of Kelly Services (Suisse), SA)	Switzerland	Kelly Services
Kelly Services (UK) Ltd. (a subsidiary of Kelly Services Management S.a.r.l.)	United Kingdom	Kelly Services, Ltd.
Kelly Payroll Services Limited (a subsidiary of Kelly Services (UK) Ltd.)	United Kingdom	Kelly Services, Ltd.
Toner Graham Limited (a subsidiary of Kelly Services (UK) Ltd.)	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

SUBSIDIARIES OF REGISTRANT (continued)

Kelly Services, Inc.

Subsidiary	State/Jurisdiction of Incorporation	Business Name
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 S.a.r.l.)	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 S.a.r.l and Kelly Services (Suisse) SA)	France	Kelly Services
Kelly Services, S.A.S. (a subsidiary of Kelly Services France, S.A.S.)	France	Kelly Services
Kelly OCG (a subsidiary of Kelly Services France, S.A.S.)	France	Kelly Services
Kelly Services Luxembourg, S.a.r.l.	Luxembourg	Kelly Services
Kelly Outsourcing & Consulting Group, S.a.r.l. (a subsidiary of Kelly Services Luxembourg, S.a.r.l.)	Luxembourg	Kelly Services
Kelly Services S.p.A. (a subsidiary of Kelly Services, Inc. and Kelly Properties, LLC)	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 S.a.r.l)	Russia	Kelly Services

SUBSIDIARIES OF REGISTRANT (continued)

Kelly Services, Inc.

Subsidiary	State/Jurisdiction of Incorporation	Business Name
LLC Kelly Services IT solutions (a subsidiary of LLC Kelly Services CIS and Kelly Services Management S.a.r.l)	Russia	Kelly Services
access KellyOCG GmbH (a subsidiary of Kelly Services Management S.a.r.l)	Germany	access
Kelly Services GmbH (a subsidiary of access KellyOCG GmbH)	Germany	Kelly Services
Kelly Outsourcing and Consulting Group (Austria) GmbH (a subsidiary of access KellyOCG 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 SA/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 S.a.r.l.)	Portugal	Kelly Services
Kelly Services – Gestao De Processos, Lda. (a subsidiary of Kelly Services – Empresa De Trabalho Temporario, Unipessoal, Lda. and Kelly Services Management S.a.r.l.)	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, LLC (a subsidiary of Kelly Services Management S.a.r.l.)	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)	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
Kelly Investment and Consulting (Shanghai) Co., Ltd.	China	Kelly Investment and Consulting
Kelly Services Brasil Investimentos E Participacoes Ltda. (a subsidiary of Kelly Services, Inc. and Kelly Properties, LLC)	Brazil	Kelly Services
Kelly Services Brasil Investimentos E Participacoes II Ltda. (a subsidiary of Kelly Services, Inc. and Kelly Properties, LLC)	Brazil	Kelly Services
Kelly Services Do Brasil Recursos Humanos Ltda (a subsidiary of Kelly Services Brazil Investimentos E Participacoes II Ltda. and Kelly Services Brasil Investimentos E Participacoes Ltda.)	Brazil	Kelly Services
Kelly Services Recursos Humanos Ltda. (a subsidiary of Kelly Services Do Brasil Recursos Humanos Ltda and Kelly Services Brasil Investimentos E Participacoes II Ltda.)	Brazil	Kelly Services

Exhibit 23

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S‑8 (Nos. 333-218039, 333-114837, 333-125091, 333-166798 and 333-201165) of Kelly Services, Inc. of our report dated February 20, 2018 relating to the financial statements, financial statement schedule and the effectiveness of internal control over financial reporting, which appears in this Form 10‑K.

/s/ PricewaterhouseCoopers LLP
PricewaterhouseCoopers LLP
Detroit, Michigan
February 20, 2018

Exhibit 24

POWER OF ATTORNEY

Each of the undersigned directors of Kelly Services, Inc. does hereby appoint Olivier G. Thirot and Hannah S. Lim-Johnson, 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 December 31, 2017, 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 15th day of February, 2018.

/s/ Terence E. Adderley
Terence E. Adderley

/s/ George S. Corona
George S. Corona

/s/ Carol M. Adderley
Carol M. Adderley

/s/ Robert S. Cubbin
Robert S. Cubbin

/s/ Jane E. Dutton
Jane E. Dutton

/s/ Terrence B. Larkin
Terrence B. Larkin

/s/ Leslie A. Murphy
Leslie A. Murphy

/s/ Donald R. Parfet
Donald R. Parfet

/s/ Hirotoshi Takahashi
Hirotoshi Takahashi

Exhibit 31.1

CERTIFICATIONS

I, George S. Corona, 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 20, 2018

/s/ George S. Corona
George S. Corona

President and
Chief Executive Officer

Exhibit 31.2

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 20, 2018

/s/ Olivier G. Thirot
Olivier G. Thirot

Senior Vice President and
Chief Financial Officer

Exhibit 32.1

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 December 31, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, George S. Corona, 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 20, 2018

/s/ George S. Corona
George S. Corona

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.

Exhibit 32.2

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 December 31, 2017 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Olivier G. Thirot, 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 20, 2018

/s/ Olivier G. Thirot
Olivier G. Thirot

Senior 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

Terence E. Adderley
Chairman of the Board

Carol M. Adderley
Writer and Researcher in the Humanities

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

George S. Corona
President and Chief Executive Officer

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

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

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

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

Donald R. Parfet
(Lead Director)
Managing Director
Apjohn Group, LLC

Hirotoshi Takahashi
Director, Deputy Vice President and Chief Operating Officer
PERSOL HOLDINGS CO., LTD.

EXECUTIVE OFFICERS

George S. Corona
President and Chief Executive Officer

Teresa S. Carroll
Executive Vice President and President, Global Talent Solutions, and General Manager, Sales, Marketing & Human Resources

Peter W. Quigley
Executive Vice President and President, Global Staffing, and General Manager, IT, Global Business Services & Global Service

Olivier G. Thirot
Executive Vice President and Chief Financial Officer

Steven S. Armstrong
Senior Vice President and General Manager, U.S. Operations

Hannah S. Lim-Johnson
Chief Legal Officer

SOCIAL RESPONSIBILITY

Since our founding in 1946, Kelly has embodied the true spirit of corporate social responsibility (CSR). We are proud to uphold that commitment as a cornerstone of who we are as an organization. Kelly's CSR commitments are centered on four critical areas:

Employees & People – We take seriously our responsibilities to protect, support, and prepare workers for successful careers, and to advocate on their behalf.

Ethics – Kelly is committed to doing the right thing, and conducting ourselves in a legal, ethical, and trustworthy manner.

Engagement – We partner with organizations to support our local communities, and we engage with socially responsible workforce suppliers.

Environment – Kelly recognizes a shared responsibility to protect our planet.

We believe Kelly has a responsibility to do the right thing and we welcome the opportunity to make a difference. For more information, visit our website, kellyservices.com, to read our corporate social responsibility report and CSR policy.

CORPORATE HEADQUARTERS

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

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 **800.231.5469**
Foreign TDD for Hearing Impaired **201.680.6610**
Foreign Stockholders **201.680.6578**
Website: **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 on May 9, 2018, at 11:00 a.m., Eastern Daylight Time, at the Corporate Headquarters of the Company.

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
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 Market℠ under the symbols: KELYA and KELYB.

Recyclable

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