

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

FORM 10-Q

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

For the quarterly period ended September 29, 2019

OR

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

Commission File Number 0-1088

KELLY SERVICES, INC.

(Exact name of registrant as specified in its charter)

Delaware

38-1510762

(State or other jurisdiction of incorporation or organization)

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

999 West Big Beaver Road, Troy, Michigan 48084

(Address of principal executive offices) (Zip Code)

(248) 362-4444

(Registrant's telephone number, including area code)

No Change

(Former name, former address and former fiscal year, if changed since last report.)

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for shorter period that the registrant was required to submit and post such files).
Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

At October 28, 2019, 35,683,604 shares of Class A and 3,428,863 shares of Class B common stock of the Registrant were outstanding.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

KELLY SERVICES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS
 (UNAUDITED)
 (In millions of dollars except per share data)

	13 Weeks Ended		39 Weeks Ended	
	September 29, 2019	September 30, 2018	September 29, 2019	September 30, 2018
Revenue from services	\$ 1,267.7	\$ 1,342.4	\$ 4,017.8	\$ 4,099.2
Cost of services	1,040.0	1,103.3	3,294.5	3,381.4
Gross profit	227.7	239.1	723.3	717.8
Selling, general and administrative expenses	210.6	217.2	666.9	663.5
Gain on sale of assets	—	—	12.3	—
Earnings from operations	17.1	21.9	68.7	54.3
Gain (loss) on investment in Persol Holdings	(39.3)	15.8	35.1	(13.0)
Other income (expense), net	(0.2)	(0.7)	(1.1)	(1.8)
Earnings (loss) before taxes and equity in net earnings (loss) of affiliate	(22.4)	37.0	102.7	39.5
Income tax expense (benefit)	(12.8)	5.9	6.3	(3.3)
Net earnings (loss) before equity in net earnings (loss) of affiliate	(9.6)	31.1	96.4	42.8
Equity in net earnings (loss) of affiliate	(0.9)	2.0	(1.0)	4.0
Net earnings (loss)	<u>\$ (10.5)</u>	<u>\$ 33.1</u>	<u>\$ 95.4</u>	<u>\$ 46.8</u>
Basic earnings (loss) per share	\$ (0.27)	\$ 0.84	\$ 2.42	\$ 1.20
Diluted earnings (loss) per share	\$ (0.27)	\$ 0.84	\$ 2.41	\$ 1.19
Average shares outstanding (millions):				
Basic	39.1	38.8	39.0	38.7
Diluted	39.1	38.9	39.2	38.8

See accompanying unaudited Notes to Consolidated Financial Statements.

KELLY SERVICES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(UNAUDITED)
(In millions of dollars)

	13 Weeks Ended		39 Weeks Ended	
	September 29, 2019	September 30, 2018	September 29, 2019	September 30, 2018
Net earnings (loss)	\$ (10.5)	\$ 33.1	\$ 95.4	\$ 46.8
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments, net of tax benefit of \$0.2, \$0.9, \$0.1 and \$0.3, respectively	(6.2)	(7.0)	(0.8)	(7.8)
Less: Reclassification adjustments included in net earnings	—	—	—	—
Foreign currency translation adjustments	(6.2)	(7.0)	(0.8)	(7.8)
Other comprehensive income (loss)	(6.2)	(7.0)	(0.8)	(7.8)
Comprehensive income (loss)	<u>\$ (16.7)</u>	<u>\$ 26.1</u>	<u>\$ 94.6</u>	<u>\$ 39.0</u>

See accompanying unaudited Notes to Consolidated Financial Statements.

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

	September 29, 2019	December 30, 2018
Assets		
Current Assets		
Cash and equivalents	\$ 22.8	\$ 35.3
Trade accounts receivable, less allowances of \$12.2 and \$13.2, respectively	1,262.3	1,293.3
Prepaid expenses and other current assets	80.7	71.9
Total current assets	1,365.8	1,400.5
Noncurrent Assets		
Property and equipment:		
Property and equipment	297.3	294.7
Accumulated depreciation	(214.6)	(208.4)
Net property and equipment	82.7	86.3
Operating lease right-of-use assets	62.2	—
Deferred taxes	221.0	198.7
Goodwill	127.8	107.3
Investment in Persol Holdings	174.9	135.1
Investment in equity affiliate	120.4	121.3
Other assets	321.5	265.2
Total noncurrent assets	1,110.5	913.9
Total Assets	\$ 2,476.3	\$ 2,314.4

See accompanying unaudited Notes to Consolidated Financial Statements.

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

	September 29, 2019	December 30, 2018
Liabilities and Stockholders' Equity		
Current Liabilities		
Short-term borrowings	\$ 17.5	\$ 2.2
Accounts payable and accrued liabilities	484.6	540.6
Operating lease liabilities	19.8	—
Accrued payroll and related taxes	285.3	266.0
Accrued workers' compensation and other claims	25.1	26.0
Income and other taxes	67.7	62.7
Total current liabilities	900.0	897.5
Noncurrent Liabilities		
Operating lease liabilities	45.3	—
Accrued workers' compensation and other claims	48.7	50.5
Accrued retirement benefits	179.0	162.9
Other long-term liabilities	55.5	44.0
Total noncurrent liabilities	328.5	257.4
Commitments and contingencies (see Contingencies footnote)		
Stockholders' Equity		
Capital stock, \$1.00 par value		
Class A common stock, 100.0 shares authorized; 36.6 shares issued at 2019 and 2018	36.6	36.6
Class B common stock, 10.0 shares authorized; 3.5 shares issued at 2019 and 2018	3.5	3.5
Treasury stock, at cost		
Class A common stock, 1.0 shares at 2019 and 1.2 shares at 2018	(20.7)	(25.4)
Class B common stock	(0.6)	(0.6)
Paid-in capital	22.3	24.4
Earnings invested in the business	1,224.6	1,138.1
Accumulated other comprehensive income (loss)	(17.9)	(17.1)
Total stockholders' equity	1,247.8	1,159.5
Total Liabilities and Stockholders' Equity	\$ 2,476.3	\$ 2,314.4

See accompanying unaudited Notes to Consolidated Financial Statements.

KELLY SERVICES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(UNAUDITED)
(In millions of dollars)

	13 Weeks Ended		39 Weeks Ended	
	September 29, 2019	September 30, 2018	September 29, 2019	September 30, 2018
Capital Stock				
Class A common stock				
Balance at beginning of period	\$ 36.6	\$ 36.6	\$ 36.6	\$ 36.6
Conversions from Class B	—	—	—	—
Balance at end of period	36.6	36.6	36.6	36.6
Class B common stock				
Balance at beginning of period	3.5	3.5	3.5	3.5
Conversions to Class A	—	—	—	—
Balance at end of period	3.5	3.5	3.5	3.5
Treasury Stock				
Class A common stock				
Balance at beginning of period	(20.9)	(26.8)	(25.4)	(34.6)
Net issuance of stock awards	0.2	0.1	4.7	7.9
Balance at end of period	(20.7)	(26.7)	(20.7)	(26.7)
Class B common stock				
Balance at beginning of period	(0.6)	(0.6)	(0.6)	(0.6)
Net issuance of stock awards	—	—	—	—
Balance at end of period	(0.6)	(0.6)	(0.6)	(0.6)
Paid-in Capital				
Balance at beginning of period	23.2	23.4	24.4	32.2
Net issuance of stock awards	(0.9)	1.6	(2.1)	(7.2)
Balance at end of period	22.3	25.0	22.3	25.0
Earnings Invested in the Business				
Balance at beginning of period	1,238.1	1,134.8	1,138.1	983.6
Cumulative-effect adjustment from adoption of ASU 2016-01, Financial Instruments	—	—	—	140.0
Cumulative-effect adjustment from adoption of ASU 2014-09, Revenue	—	—	—	3.4
Net earnings (loss)	(10.5)	33.1	95.4	46.8
Dividends	(3.0)	(2.9)	(8.9)	(8.8)
Balance at end of period	1,224.6	1,165.0	1,224.6	1,165.0
Accumulated Other Comprehensive Income (Loss)				
Balance at beginning of period	(11.7)	(10.0)	(17.1)	130.8
Cumulative-effect adjustment from adoption of ASU 2016-01, Financial Instruments	—	—	—	(140.0)
Other comprehensive income (loss), net of tax	(6.2)	(7.0)	(0.8)	(7.8)
Balance at end of period	(17.9)	(17.0)	(17.9)	(17.0)
Stockholders' Equity at end of period	\$ 1,247.8	\$ 1,185.8	\$ 1,247.8	\$ 1,185.8

See accompanying unaudited Notes to Consolidated Financial Statements.

KELLY SERVICES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UnAUDITED)
(In millions of dollars)

	39 Weeks Ended	
	September 29, 2019	September 30, 2018
Cash flows from operating activities:		
Net earnings	\$ 95.4	\$ 46.8
Adjustments to reconcile net earnings to net cash from operating activities:		
Depreciation and amortization	23.8	19.5
Operating lease asset amortization	16.9	—
Provision for bad debts	3.2	1.3
Stock-based compensation	4.7	6.7
(Gain) loss on investment in Persol Holdings	(35.1)	13.0
(Gain) loss on sale of assets	(12.3)	—
Equity in net (earnings) loss of PersolKelly Asia Pacific	1.0	(4.0)
Other, net	(1.0)	(1.0)
Changes in operating assets and liabilities, net of acquisitions	(22.4)	(49.0)
Net cash from operating activities	74.2	33.3
Cash flows from investing activities:		
Capital expenditures	(13.8)	(17.9)
Acquisition of companies, net of cash received	(86.4)	—
Investment in equity securities	(1.0)	(5.0)
Loans to equity affiliate	(4.4)	(2.9)
Proceeds from sale of assets	13.8	—
Proceeds from company-owned life insurance	3.0	—
Other investing activities	—	(0.8)
Net cash used in investing activities	(88.8)	(26.6)
Cash flows from financing activities:		
Net change in short-term borrowings	15.2	(1.9)
Financing lease payments	(0.4)	—
Dividend payments	(8.9)	(8.8)
Payments of tax withholding for stock awards	(2.3)	(6.3)
Net cash from (used in) financing activities	3.6	(17.0)
Effect of exchange rates on cash, cash equivalents and restricted cash	(0.5)	(0.7)
Net change in cash, cash equivalents and restricted cash	(11.5)	(11.0)
Cash, cash equivalents and restricted cash at beginning of period	40.1	36.9
Cash, cash equivalents and restricted cash at end of period ⁽¹⁾	\$ 28.6	\$ 25.9

KELLY SERVICES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)
(UNAUDITED)
(In millions of dollars)

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

	39 Weeks Ended	
	September 29, 2019	September 30, 2018
Reconciliation of cash, cash equivalents and restricted cash:		
Current assets:		
Cash and cash equivalents	\$ 22.8	\$ 20.8
Restricted cash included in prepaid expenses and other current assets	0.8	0.5
Noncurrent assets:		
Restricted cash included in other assets	5.0	4.6
Cash, cash equivalents and restricted cash at end of period	\$ 28.6	\$ 25.9

See accompanying unaudited Notes to Consolidated Financial Statements.

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

1. Basis of Presentation

The accompanying unaudited consolidated financial statements of Kelly Services, Inc. (the “Company,” “Kelly,” “we” or “us”) have been prepared in accordance with Rule 10-01 of Regulation S-X and do not include all the information and notes required by generally accepted accounting principles (“GAAP”) for complete financial statements. In the opinion of management, all adjustments, including normal recurring adjustments, necessary for a fair statement of the results of the interim periods, have been made. The results of operations for such interim periods are not necessarily indicative of results of operations for a full year. The unaudited consolidated financial statements should be read in conjunction with the Company’s consolidated financial statements and notes thereto for the fiscal year ended December 30, 2018, included in the Company’s Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 14, 2019 (the 2018 consolidated financial statements). The Company’s third fiscal quarter ended on September 29, 2019 (2019) and September 30, 2018 (2018), each of which contained 13 weeks. The corresponding September year to date periods for 2019 and 2018 each contained 39 weeks.

Certain reclassifications have been made to the prior year’s consolidated financial statements to conform to the current year’s presentation.

2. Revenue

Adoption of ASC Topic 606, Revenue from Contracts with Customers

On January 1, 2018, we adopted Accounting Standards Codification (“ASC”) Topic 606, Revenue from Contracts with Customers (“ASC 606”), using the modified retrospective method applied to those contracts which were not completed as of January 1, 2018. Results for reporting periods beginning after January 1, 2018 are presented under ASC 606, while prior period amounts are not adjusted and continue to be reported in accordance with our historic accounting under ASC 605.

We recorded a net increase to opening earnings invested in the business of \$3.4 million as of January 1, 2018 due to the cumulative impact of adopting ASC 606. The impact is primarily driven by the deferral of contract costs related to our customer contracts of \$5.2 million, partially offset by deferring revenue billed at a point in time for services performed over time of \$0.6 million and a deferred tax liability of \$1.2 million. As of and for year to date 2018, the consolidated financial statements were not materially impacted as a result of the application of Topic 606 compared to Topic 605.

Revenue Recognition

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

Staffing Solutions Revenue

Staffing solutions can be branch-delivered (Americas and EMEA regions) or centrally delivered (within Global Talent Solutions “GTS”). Our Americas Staffing segment is organized to deliver services in a number of specialty staffing solutions, which are summarized as: commercial, specialized professional/technical “PT” and educational staffing.

Permanent Placement Revenue

Permanent placement solutions can be branch-delivered (Americas and EMEA regions) or centrally delivered (within GTS). Our permanent placement revenue is recorded when the permanent placement candidate begins full-time employment. On the candidate start date, the customer accepts the candidate and can direct the use of the candidate as well as obtains the significant risk and rewards of the candidate. As such, we consider this the point the control transfers to the customer.

Talent Solutions and Outcome-Based Services Revenue

In addition to centrally delivered staffing services, our GTS segment also includes talent solutions (contingent workforce outsourcing “CWO”, payroll process outsourcing “PPO” and recruitment process outsourcing “RPO”) and outcome-based services (business process outsourcing “BPO”, KellyConnect, career transition/outplacement services and talent advisory services).

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

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

	Third Quarter		September Year to Date	
	2019	2018	2019	2018
Branch-Delivered Staffing				
Americas Staffing				
Staffing Solutions				
Commercial	\$ 366.8	\$ 424.3	\$ 1,143.4	\$ 1,237.2
Educational Staffing	57.5	57.7	314.5	297.8
Professional/Technical	83.2	68.8	256.0	206.3
Permanent Placement	8.5	11.0	26.2	28.8
Total Americas Staffing	516.0	561.8	1,740.1	1,770.1
International Staffing				
Staffing Solutions	246.8	270.4	760.7	826.4
Permanent Placement	6.1	6.8	19.2	22.1
Total International Staffing	252.9	277.2	779.9	848.5
Global Talent Solutions				
Talent Fulfillment				
Staffing Solutions	251.2	279.0	765.0	851.5
Permanent Placement	0.5	0.6	1.3	1.4
Talent Solutions	91.2	94.0	274.2	267.9
Total Talent Fulfillment	342.9	373.6	1,040.5	1,120.8
Outcome-Based Services	159.6	134.0	468.9	373.3
Total Global Talent Solutions	502.5	507.6	1,509.4	1,494.1
Total Intersegment	(3.7)	(4.2)	(11.6)	(13.5)
Total Revenue from Services	\$ 1,267.7	\$ 1,342.4	\$ 4,017.8	\$ 4,099.2

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

Our operations are subject to different economic and regulatory environments depending on geographic location. Our GTS segment operates in the Americas, EMEA and APAC regions. In the third quarter of 2019 and 2018, GTS made up \$485.0 million and \$490.4 million in total Americas, respectively, \$10.0 million and \$11.0 million in total EMEA, respectively, and the entire balance in APAC. For September year to date in 2019 and 2018, GTS made up \$1,457.8 million and \$1,442.9 million in total Americas, respectively, \$32.0 million and \$34.3 million in total EMEA, respectively, and the entire balance in APAC.

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

	Third Quarter		September Year to Date	
	2019	2018	2019	2018
Americas				
United States	\$ 903.2	\$ 942.5	\$ 2,913.4	\$ 2,898.4
Canada	34.6	37.0	100.8	107.6
Mexico	32.4	32.3	89.6	92.7
Puerto Rico	18.8	28.2	57.6	74.2
Brazil	8.4	8.1	25.1	26.6
Total Americas	997.4	1,048.1	3,186.5	3,199.5
EMEA				
France	59.7	68.8	188.6	212.7
Switzerland	50.6	53.8	150.0	156.3
Portugal	44.0	48.2	135.5	150.5
Russia	29.9	24.0	84.1	75.7
United Kingdom	24.9	28.1	81.6	85.6
Italy	18.5	18.3	59.8	58.1
Germany	11.5	13.8	32.5	45.0
Ireland	7.1	11.3	28.1	34.3
Other	16.6	21.8	51.5	64.6
Total EMEA	262.8	288.1	811.7	882.8
Total APAC	7.5	6.2	19.6	16.9
Total Kelly Services, Inc.	\$ 1,267.7	\$ 1,342.4	\$ 4,017.8	\$ 4,099.2

Deferred Costs

Deferred sales commissions are paid at initial contract inception and upon contract renewal by our sales team. Deferred sales commissions, which are included in other assets in the consolidated balance sheet, were \$1.6 million as of third quarter-end 2019 and \$2.3 million as of year-end 2018. Amortization expense for the deferred costs for the third quarter and September year to date 2019 was \$0.4 million and \$1.3 million, respectively. Amortization expense for the deferred costs for the third quarter and September year to date 2018 was \$0.4 million and \$1.2 million, respectively.

Deferred fulfillment costs are incurred after obtaining a contract in order to generate a resource that will be used to provide our services. Deferred fulfillment costs, which are included in prepaid expenses and other current assets in the consolidated balance sheet, were \$3.6 million as of third quarter-end 2019 and \$3.0 million as of year-end 2018. Amortization expense for the deferred costs for the third quarter and September year to date 2019 was \$3.8 million and \$10.3 million, respectively. Amortization expense for the deferred costs for the third quarter and September year to date 2018 was \$4.1 million and \$8.7 million, respectively.

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

3. Acquisitions

In the first quarter of 2019, the Company acquired NextGen Global Resources LLC (“NextGen”) and Global Technology Associates, LLC (“GTA”), as detailed below. We have accounted for these acquisitions under Accounting Standards Update (“ASU”) 2017-01, Business Combinations.

NextGen Global Resources

On January 2, 2019, the Company acquired 100% of the membership interests of NextGen, a leading provider of telecommunications staffing solutions, for a purchase price of \$51.0 million. Under terms of the purchase agreement, the purchase price was adjusted for cash held by NextGen at the closing date and estimated working capital adjustments resulting in the Company paying cash of \$54.3 million. Due to the limited amount of time that has passed since acquiring NextGen, the purchase price allocation for this acquisition is preliminary and could change.

This acquisition will increase our presence and market share in the telecommunications industry within the engineering staffing solutions market. NextGen’s results of operations are included in the Americas Staffing segment for the 2019 third quarter and September year-to-date periods.

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	\$	3.5
Trade accounts receivable		19.7
Other current assets		0.3
Goodwill		13.7
Intangibles		21.5
Other noncurrent assets		0.5
Current liabilities		(4.9)
Purchase price paid, including working capital adjustments	\$	<u>54.3</u>

Included in the assets purchased in the NextGen acquisition was approximately \$21.5 million of intangible assets, made up of \$12.9 million in customer relationships, \$8.1 million associated with NextGen’s trade name and \$0.5 million for non-compete agreements. The customer relationships will be amortized over 10 years with no residual value, the trade name will be amortized over 15 years with no residual value and the non-compete agreements will be amortized over five years with no residual value. Goodwill generated from this acquisition is primarily attributable to the market potential as a staffing solutions provider to the expanding telecommunications industry, and is assigned to the Americas Staffing reporting unit (see Goodwill footnote). All of the goodwill is expected to be deductible for tax purposes.

Global Technology Associates

On January 2, 2019, in a separate transaction, the Company acquired 100% of the membership interests of GTA, a leading provider of engineering, technology and business consulting solutions in the telecommunications industry, for a purchase price of \$34.0 million. Under terms of the purchase agreement, the purchase price was adjusted for cash held by GTA at the closing date and estimated working capital adjustments resulting in the Company paying cash of \$35.7 million. Due to the limited amount of time that has passed since acquiring GTA, the purchase price allocation for this acquisition is preliminary and could change.

This acquisition will increase our presence and market share in the telecommunications industry within the engineering outcome-based solutions market. GTA’s results of operations are included in the GTS segment for the 2019 third quarter and September year-to-date periods.

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

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	\$	0.1
Trade accounts receivable		13.9
Other current assets		0.1
Goodwill		6.8
Intangibles		17.3
Other noncurrent assets		0.4
Current liabilities		(2.9)
Purchase price paid, including working capital adjustments	\$	<u>35.7</u>

Included in the assets purchased in the GTA acquisition was approximately \$17.3 million of intangible assets, made up of \$12.1 million in customer relationships, \$4.0 million associated with GTA's trade name and \$1.2 million for non-compete agreements. The customer relationships will be amortized over 10 years with no residual value, the trade name will be amortized over 15 years with no residual value and the non-compete agreements will be amortized over five years with no residual value. Goodwill generated from this acquisition is primarily attributable to the market potential as a solutions provider to the expanding telecommunications industry, and is assigned to the GTS reporting unit (see Goodwill footnote). All of the goodwill is expected to be deductible for tax purposes.

Pro Forma Information

Our consolidated revenues and net earnings for the third quarter 2019 included \$20.0 million and \$1.3 million, respectively, from NextGen and \$15.8 million and \$0.9 million, respectively, from GTA. Our consolidated revenues and net earnings for September year to date 2019 included \$62.9 million and \$3.7 million, respectively, from NextGen and \$48.2 million and \$3.4 million, respectively, from GTA. The following unaudited pro forma information presents a summary of the operating results as if the NextGen and GTA acquisitions had been completed as of January 1, 2018 (in millions of dollars, except per share data):

	Third Quarter		September Year to Date	
	2019	2018	2019	2018
Pro forma revenues	\$ 1,267.7	\$ 1,373.6	\$ 4,017.8	\$ 4,174.9
Pro forma net earnings (loss)	(10.5)	35.6	95.4	50.6
Pro forma basic earnings (loss) per share	(0.27)	0.91	2.42	1.29
Pro forma diluted earnings (loss) per share	(0.27)	0.90	2.41	1.29

Due to the date of the acquisitions, there were no adjustments for the third quarter and September year to date 2019 pro forma results. For the third quarter of 2018, NextGen pro forma revenues and net earnings were \$19.3 million and \$1.4 million, respectively, and GTA pro forma revenues and net earnings were \$11.9 million and \$1.1 million, respectively. For September year to date 2018, NextGen pro forma revenues and net earnings were \$47.5 million and \$2.0 million, respectively, and GTA pro forma revenues and net earnings were \$28.2 million and \$1.8 million, respectively.

The pro forma results for the third quarter and September year to date 2018 reflect amortization of the intangible assets, applicable taxes and adjustments for the accounting for revenue under ASC 606, none of which had a material impact on the pro forma results. The unaudited pro forma information presented has been prepared for comparative purposes only and is not necessarily indicative of the results of operations as they would have been had the acquisitions occurred on the assumed dates, nor is it necessarily an indication of future operating results.

4. Investment in Persol Holdings

The Company has a yen-denominated investment in the common stock of Persol Holdings, a leading integrated human resource company in Japan and the Company's joint venture partner in PersolKelly Asia Pacific. As our investment is a noncontrolling interest in Persol Holdings, this investment is recorded at fair value based on the quoted market price of Persol Holdings stock on the Tokyo Stock Exchange as of the period end (see Fair Value Measurements footnote). The Company adopted ASU 2016-01 and as a result, effective January 1, 2018, all changes in fair value on the investment are recognized in net earnings which previously were recorded in other comprehensive income (loss). A cumulative catch-up adjustment of the prior net unrealized gains previously recorded in other comprehensive income (loss), and in accumulated other comprehensive income (loss), a component of stockholders' equity, was recorded in earnings invested in the business as of January 1, 2018 for \$140.0 million, net of \$69.9 million of taxes.

For the third quarter and September year to date 2019, a loss on the investment of \$39.3 million and a gain on the investment of \$35.1 million, respectively, were recorded in gain (loss) on investment in Persol Holdings in the consolidated statements of earnings. For the third quarter and September year to date 2018, a gain on the investment of \$15.8 million and a loss on the investment of \$13.0 million, respectively, was recorded in gain (loss) on investment in Persol Holdings in the consolidated statements of earnings.

5. Investment in PersolKelly Asia Pacific

The Company has a 49% ownership interest in PersolKelly Asia Pacific, a staffing solutions business operating in more than 10 countries in the Asia-Pacific region. 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 reported in equity in net earnings (loss) of affiliate in the consolidated statements of earnings. This investment is evaluated 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 this equity investment, we will adjust the carrying amount of the investment to the current fair value.

The investment in equity affiliate on the Company's consolidated balance sheet totaled \$120.4 million as of third quarter-end 2019 and \$121.3 million as of year-end 2018. The net amount due from PersolKelly Asia Pacific, a related party, was \$10.3 million as of the third quarter-end 2019 and \$10.2 million as of year-end 2018. The Company made loans, proportionate to its 49% ownership, to PersolKelly Asia Pacific for \$7.0 million in 2018 and an additional \$4.4 million in the third quarter of 2019 to fund working capital requirements as a result of their sustained revenue growth. The loans, which are outstanding as of third quarter-end 2019, are included in other assets in the consolidated balance sheet and included in the net amounts due from PersolKelly Asia Pacific. The amount included in trade accounts payable for staffing services provided by PersolKelly Asia Pacific as a supplier to the Company's CWO programs was \$0.5 million as of third quarter-end 2019 and \$0.2 million as of year-end 2018.

6. Fair Value Measurements

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

Assets Measured at Fair Value on a Recurring Basis

The following tables present assets measured at fair value on a recurring basis in the consolidated balance sheet as of third quarter-end 2019 and year-end 2018 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.

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Description	Fair Value Measurements on a Recurring Basis As of Third Quarter-End 2019			
	Total	Level 1	Level 2	Level 3
	(In millions of dollars)			
Money market funds	\$ 4.9	\$ 4.9	\$ —	\$ —
Investment in Persol Holdings	174.9	174.9	—	—
Total assets at fair value	\$ 179.8	\$ 179.8	\$ —	\$ —

Description	Fair Value Measurements on a Recurring Basis As of Year-End 2018			
	Total	Level 1	Level 2	Level 3
	(In millions of dollars)			
Money market funds	\$ 4.6	\$ 4.6	\$ —	\$ —
Investment in Persol Holdings	135.1	135.1	—	—
Total assets at fair value	\$ 139.7	\$ 139.7	\$ —	\$ —

Money market funds as of third quarter-end 2019 and year-end 2018 represent investments in money market accounts, all of which are restricted as to use and included in other assets in the consolidated balance sheet. The money market funds that are restricted as to use account for the majority of our restricted cash balance and represents cash balances that are required to be maintained to fund disability claims in California. The valuations of money market funds were based on quoted market prices of those accounts as of the respective period end.

The valuation of the investment in Persol Holdings is based on the quoted market price of Persol Holdings stock on the Tokyo Stock Exchange as of the period end, and the related changes in fair value are recorded in the consolidated statements of earnings (see Investment in Persol Holdings footnote). The cost of this yen-denominated investment, which fluctuates based on foreign exchange rates, was \$19.2 million as of the third quarter-end 2019 and \$18.8 million at year-end 2018.

Equity Investment Without Readily Determinable Fair Value

The Company has a minority investment in Business Talent Group, LLC, which is included in other assets in the consolidated balance sheet. This investment is measured using the measurement alternative for equity investments without a readily determinable fair value. The measurement alternative represents cost, less impairment, plus or minus observable price changes. The carrying amount of \$5.0 million as of the third quarter-end 2019 and year-end 2018 represents the purchase price. There have been no observable price changes to the carrying amount or impairments.

During second quarter of 2019, the Company made an additional \$1.0 million minority investment in Kenzie Academy Inc., which is included in other assets in the consolidated balance sheet. This investment is also measured using the measurement alternative for equity investments without a readily determinable fair value as described above. As of the third quarter-end 2019, the investment totaled \$1.3 million, representing total cost plus observable price changes to date.

7. Restructuring

In the first quarter of 2019, the Company took restructuring actions to transform operations in order to drive growth and operational effectiveness primarily in the U.S. branch-based staffing operations.

Restructuring costs incurred in 2019 totaled \$5.6 million, all of which is within the Americas Staffing segment. The restructuring costs, which are all severance related, were recorded in selling, general and administrative (“SG&A”) expenses in the consolidated statements of earnings.

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

Balance as of year-end 2018	\$	—
Additions charged to Americas Staffing		6.3
Reductions for cash payments		(0.2)
Balance as of first quarter-end 2019		6.1
Reductions for cash payments		(3.1)
Accrual adjustments		(0.6)
Balance as of second quarter-end 2019		2.4
Reductions for cash payments		(1.4)
Accrual adjustments		(0.1)
Balance as of third quarter-end 2019	\$	<u>0.9</u>

The remaining balance of \$0.9 million as of third quarter-end 2019 represents severance costs, and the majority is expected to be paid by the end of 2019. No material adjustments are expected to be recorded.

8. Goodwill

The changes in the carrying amount of goodwill as of third quarter-end 2019 are included in the table below. See Acquisitions footnote for a description of the additions to goodwill in the first quarter of 2019.

	As of Year-End 2018	Additions to Goodwill	As of Third Quarter-End 2019
	(In millions of dollars)		
Americas Staffing	\$ 44.8	\$ 13.7	\$ 58.5
Global Talent Solutions	62.5	6.8	69.3
	<u>\$ 107.3</u>	<u>\$ 20.5</u>	<u>\$ 127.8</u>

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9. Accumulated Other Comprehensive Income (Loss)

The changes in accumulated other comprehensive income (loss) by component, net of tax, for the third quarter and September year to date 2019 and 2018 are included in the table below. Amounts in parentheses indicate debits. See Investment in Persol Holdings footnote for a description of the cumulative-effect adjustment from the adoption of ASU 2016-01.

	Third Quarter		September Year to Date	
	2019	2018	2019	2018
(In millions of dollars)				
Foreign currency translation adjustments:				
Beginning balance	\$ (10.3)	\$ (7.7)	\$ (15.7)	\$ (6.9)
Other comprehensive income (loss) before reclassifications	(6.2)	(7.0)	(0.8)	(7.8)
Amounts reclassified from accumulated other comprehensive income (loss)	—	—	—	—
Net current-period other comprehensive income (loss)	(6.2)	(7.0)	(0.8)	(7.8)
Ending balance	(16.5)	(14.7)	(16.5)	(14.7)
Unrealized gains and losses on investment:				
Beginning balance	—	—	—	140.0
Cumulative-effect adjustment from adoption of ASU 2016-01, Financial Instruments	—	—	—	(140.0)
Other comprehensive income (loss) before reclassifications	—	—	—	—
Amounts reclassified from accumulated other comprehensive income (loss)	—	—	—	—
Net current-period other comprehensive income (loss)	—	—	—	(140.0)
Ending balance	—	—	—	—
Pension liability adjustments:				
Beginning balance	(1.4)	(2.3)	(1.4)	(2.3)
Other comprehensive income (loss) before reclassifications	—	—	—	—
Amounts reclassified from accumulated other comprehensive income (loss)	—	—	—	—
Net current-period other comprehensive income (loss)	—	—	—	—
Ending balance	(1.4)	(2.3)	(1.4)	(2.3)
Total accumulated other comprehensive income (loss)	\$ (17.9)	\$ (17.0)	\$ (17.9)	\$ (17.0)

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10. Earnings Per Share

The reconciliation of basic and diluted earnings (loss) per share on common stock for the third quarter and September year to date 2019 and 2018 follows (in millions of dollars except per share data):

	Third Quarter		September Year to Date	
	2019	2018	2019	2018
Net earnings (loss)	\$ (10.5)	\$ 33.1	\$ 95.4	\$ 46.8
Less: earnings allocated to participating securities	—	(0.4)	(1.0)	(0.5)
Net earnings (loss) available to common shareholders	\$ (10.5)	\$ 32.7	\$ 94.4	\$ 46.3
Average shares outstanding (millions):				
Basic	39.1	38.8	39.0	38.7
Dilutive share awards	—	0.1	0.2	0.1
Diluted	39.1	38.9	39.2	38.8
Basic earnings (loss) per share	\$ (0.27)	\$ 0.84	\$ 2.42	\$ 1.20
Diluted earnings (loss) per share	\$ (0.27)	\$ 0.84	\$ 2.41	\$ 1.19

Potentially dilutive shares outstanding are primarily related to performance shares for the third quarter and September year to date 2019 and 2018.

Dividends paid per share for Class A and Class B common stock were \$0.075 for the third quarter 2019 and 2018 and \$0.225 for September year to date 2019 and 2018.

11. Stock-Based Compensation

For the third quarter of 2019, the Company recognized stock compensation benefit of \$0.5 million, and related tax benefit of \$0.4 million. For the third quarter of 2018, the Company recognized stock compensation expense of \$2.0 million, and related tax benefit of \$0.8 million. For September year to date 2019, the Company recognized stock compensation expense of \$4.7 million, and related tax benefit of \$1.1 million. For September year to date 2018, the Company recognized stock compensation expense of \$6.7 million, and related tax benefit of \$4.0 million.

Performance Shares

2019 Grant

During 2019, the Company granted performance awards associated with the Company's Class A common stock to certain senior officers. The payment of these performance shares ("financial measure performance awards"), which will be satisfied with the issuance of shares out of treasury stock, is contingent upon the achievement of two financial goals at the end of a three-year performance period. These awards will cliff vest after the approval by the Compensation Committee, if not forfeited by the recipient. No dividends are paid on these performance shares.

The 2019 financial measure performance awards were granted with a market condition in the form of a relative Total Shareholder Return ("TSR") modifier, which could impact the number of shares earned as determined at the end of the performance period. The number of shares earned based on financial measures' results will be reduced, increased or remain the same based on the Company's TSR relative to the S&P SmallCap 600 Index. The maximum number of performance shares that may be earned is 200% of the target shares originally granted and the TSR modifier will not increase payouts above the maximum.

The 2019 financial measure performance awards have an estimated fair value of \$25.58 per share, which was determined using a Monte Carlo valuation model incorporating assumptions for inputs of expected stock price volatility, dividend yield and risk-free interest rate.

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The 2019 grant also included single financial measure performance shares, which have one financial goal with a one-year performance period. These awards vest over four years and earn dividends, which are not paid until the awards vest. The single financial measure performance shares have a weighted average grant date fair value of \$24.61.

2018 and 2017 Grants

For the 2018 and 2017 financial measure performance awards, the annual goals are set in February of each year, with the total award payout for 2018 grants based on a cumulative measure of the 2018, 2019 and 2020 goals and for 2017 grants based on a cumulative measure of the 2017, 2018 and 2019 goals. Accordingly, the Company remeasures the fair value of the 2018 and 2017 financial measure performance shares each reporting period until the third year goals are set, after which the grant date fair value will be fixed for the remaining performance period. As of third quarter-end 2019, the current fair value for the 2018 financial measure performance shares was \$23.29 per share. During the first quarter 2019, the final year of goals was set for the performance shares granted in 2017 and the grant date fair value for the 2017 financial measure performance shares was set at \$23.76 per share. The grant date fair value per share will remain fixed for the remaining performance period.

A summary of the status of all nonvested performance shares at target as of third quarter-end 2019 and year-to-date changes is presented as follows below (in thousands of shares except per share data). The majority of the vested shares below is related to the 2016 performance share grant, which cliff-vested after approval from the Compensation Committee during the first quarter of 2019.

	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 2018	481	\$ 23.58	173	\$ 23.56
Granted	250	25.38	—	—
Vested	(188)	28.05	(55)	19.73
Forfeited	—	—	—	—
Nonvested at third quarter-end 2019	543	\$ 24.66	118	\$ 25.35

Restricted Stock

A summary of the status of nonvested restricted stock as of third quarter-end 2019 and year-to-date changes is presented as follows below (in thousands of shares except per share data).

	Shares	Weighted Average Grant Date Fair Value
Nonvested at year-end 2018	356	\$ 23.44
Granted	183	24.79
Vested	(109)	22.61
Forfeited	(38)	23.80
Nonvested at third quarter-end 2019	392	\$ 24.27

12. Sale of Assets

During the second quarter of 2019, the Company sold unused land located near the Company headquarters. The gain on the sale of assets in the consolidated statements of earnings for the second quarter and June year to date 2019 includes the excess of the \$11.7 million sale proceeds over the cost of the parcel.

The gain on sale of assets also includes proceeds of \$2.1 million from the transfer of customer contracts related to the Company's legal specialty operations to a third party during the second quarter of 2019. There were no material sales of assets during the third quarter of 2019.

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13. Other Income (Expense), Net

Included in other income (expense), net for the third quarter and September year to date 2019 and 2018 are the following:

	Third Quarter		September Year to Date	
	2019	2018	2019	2018
	(In millions of dollars)			
Interest income	\$ 0.4	\$ 0.2	\$ 0.8	\$ 0.6
Interest expense	(0.9)	(0.7)	(3.2)	(2.3)
Dividend income	—	—	1.3	0.8
Foreign exchange gain (loss)	0.3	(0.2)	(0.4)	(0.9)
Other	—	—	0.4	—
Other income (expense), net	<u>\$ (0.2)</u>	<u>\$ (0.7)</u>	<u>\$ (1.1)</u>	<u>\$ (1.8)</u>

14. Income Taxes

Income tax benefit was \$12.8 million for the third quarter of 2019 and income tax expense was \$5.9 million for the third quarter of 2018. Income tax expense was \$6.3 million for September year to date 2019 and income tax benefit was \$3.3 million for September year to date 2018. These amounts were impacted by changes in the fair value of the Company's investment in Persol Holdings, which are taxed at the Japanese statutory tax rate which is higher than the U.S. statutory tax rate. This resulted in a benefit of \$12.1 million for the third quarter of 2019 and a charge of \$10.7 million for September year to date 2019, compared to a charge of \$4.9 million for the third quarter of 2018 and a benefit of \$4.0 million for September year to date 2018. The September year to date 2019 income taxes benefitted by \$14.3 million from the release of a valuation allowance in the United Kingdom, offset by a \$3.9 million charge for recording a valuation allowance in Germany, which were recorded in the second quarter of 2019.

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, changes in judgment regarding the realizability of deferred tax assets, the tax effects of stock compensation, and changes in the fair value of the Company's investment in Persol Holdings, which are treated as discrete since they cannot be estimated.

The work opportunity credit program is a temporary provision in the U.S. tax law and expires for employees hired after 2019. While the program has routinely been extended, it is uncertain whether it will again be extended. In the event the program is not renewed, we will continue to receive credits for qualified employees hired prior to 2020.

15. Leases

At the beginning of the first quarter of 2019, we adopted ASC 842, Leases, using an optional transition method which allowed us to adopt the new lease standard at the adoption date, as compared to the beginning of the earliest period presented, and recognize a cumulative-effect adjustment to the beginning balance of earnings invested in the business in the period of adoption. We elected the package of practical expedients permitted under the transition guidance, which allowed us to carry forward our historical lease classification, our assessment on whether a contract is or contains a lease, and our initial direct costs for any leases that existed prior to adoption of the new standard. We also elected to combine lease and non-lease components, to keep leases with an initial term of 12 months or less off the consolidated balance sheet and recognize the associated lease payments in the consolidated statements of earnings on a straight-line basis over the lease term.

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

We recorded \$74.1 million of right-of-use ("ROU") assets within operating lease right-of-use assets, \$19.8 million of current lease liabilities within operating lease liabilities, current and \$54.3 million of noncurrent lease liabilities within operating lease

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liabilities, noncurrent in the consolidated balance sheet on the date of adoption. No adjustment to the beginning balance of earnings invested in the business was necessary as a result of adopting this standard.

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

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

Description	Statements of Earnings Location	Third Quarter 2019	September Year to Date 2019
Operating:			
Operating lease cost	Selling, general and administrative expenses	\$ 6.6	\$ 20.3
Short-term lease cost	Selling, general and administrative expenses	0.9	2.5
Variable lease cost	Selling, general and administrative expenses	1.7	5.2
Financing:			
Amortization of ROU assets	Selling, general and administrative expenses	0.1	0.1
Interest on lease liabilities	Other income (expense), net	0.1	0.1
Total lease cost		\$ 9.4	\$ 28.2

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

Description	Balance Sheet Location	As of Third Quarter-End 2019
ROU Assets:		
Operating	Operating lease right-of-use assets	\$ 62.2
Financing	Property and equipment	2.8
Total lease assets		\$ 65.0
ROU Liabilities:		
Operating - current	Operating lease liabilities, current	\$ 19.8
Financing - current	Accounts payable and accrued liabilities	0.9
Operating - noncurrent	Operating lease liabilities, noncurrent	45.3
Financing - noncurrent	Other long-term liabilities	1.5
Total lease liabilities		\$ 67.5

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Weighted average remaining lease terms and discount rates for September year to date 2019 was as follows:

	September Year to Date 2019
Weighted average remaining lease term (years):	
Operating leases	3.9
Financing leases	3.7
Weighted average discount rate:	
Operating leases	5.8%
Financing leases	5.1%

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

	Third Quarter 2019	September Year to Date 2019
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 6.3	\$ 19.8
Financing cash flows from financing leases	0.2	0.4
ROU assets obtained in exchange for new lease obligations:		
Operating leases	\$ 2.2	\$ 6.2
Financing leases	1.1	2.8

Maturities of lease liabilities as of third quarter-end 2019 were as follows (in millions of dollars):

	Operating Leases	Financing Leases
2019, remaining	\$ 6.1	\$ 0.3
2020	21.9	0.8
2021	17.5	0.8
2022	12.3	0.8
2023	7.0	—
2024	3.9	—
Thereafter	4.2	—
Total future lease payments	72.9	2.7
Less: Imputed interest	7.8	0.3
Total	\$ 65.1	\$ 2.4

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Maturities of operating leases accounted for under ASC 840 as of year-end 2018 were as follows (in millions of dollars):

Fiscal year:	
2019	\$ 26.7
2020	20.4
2021	15.2
2022	9.8
2023	4.7
Later years	4.9
Total	\$ 81.7

16. Contingencies

The Company is continuously engaged in litigation, threatened litigation, or investigations arising in the ordinary course of its business, such as matters alleging auto liability, employment discrimination, wage and hour violations, claims for indemnification or liability, or violations of privacy rights, anti-competition regulations, breach of contract and claims or actions related to customer or supplier bankruptcy proceedings or insolvency actions, which could result in a material adverse outcome. We record accruals for loss contingencies when we believe it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. Such accruals are recorded in accounts payable and accrued liabilities and in accrued workers' compensation and other claims in the consolidated balance sheet. At third quarter-end 2019 and year-end 2018, the gross accrual for litigation costs amounted to \$10.1 million and \$12.8 million, respectively.

The Company maintains insurance coverage which may cover certain claims. When claims exceed the applicable policy deductible and realization of recovery of the claim from existing insurance policies is deemed probable, the Company records receivables from the insurance company for the excess amount, which are included in prepaid expenses and other current assets in the consolidated balance sheet. At third quarter-end 2019 and year-end 2018, the related insurance recoveries amounted to \$4.6 million and \$6.1 million, respectively.

The Company estimates the aggregate range of reasonably possible losses, in excess of amounts accrued, is \$0.4 million to \$3.7 million as of third quarter-end 2019. This range includes matters where a liability has been accrued but it is reasonably possible that the ultimate loss may exceed the amount accrued and for matters where a loss is believed to be reasonably possible, but a liability has not been accrued. The aggregate range only represents matters in which we are currently able to estimate a range of loss and does not represent our maximum loss exposure. The estimated range is subject to significant judgment and a variety of assumptions and only based upon currently available information. For other matters, we are currently not able to estimate the reasonably possible loss or range of loss.

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

We are also currently engaged in litigation with a customer over a disputed accounts receivable balance for services rendered, which is recorded as a long-term receivable in other assets in the consolidated balance sheet. While we believe the balance of approximately \$10 million is collectible, there is a reasonably possible risk of an unfavorable outcome.

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17. Segment Disclosures

The Company's segments are based on the organizational structure for which financial results are regularly evaluated by the Company's chief operating decision-maker (the Company's CEO) to determine resource allocation and assess performance. The Company's three reportable segments, (1) Americas Staffing, (2) GTS and (3) International Staffing, reflect how the Company delivers services to customers and how its business is organized internally. 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. Americas Staffing and International Staffing both deliver temporary staffing, as well as direct-hire placement services, in office-clerical, light industrial, and professional/technical specialties within their geographic regions. Americas Staffing also includes educational staffing in the U.S.

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 solutions which combine contingent labor, full-time hiring and outsourced services. GTS includes centrally delivered staffing, RPO, CWO, BPO, PPO, KellyConnect, 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 directly benefit a specific operating segment.

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 (loss) before taxes and equity in net earnings (loss) of affiliate, for the third quarter and September year to date 2019 and 2018. 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.

	Third Quarter		September Year to Date	
	2019	2018	2019	2018
	(In millions of dollars)			
Revenue from Services:				
Americas Staffing	\$ 516.0	\$ 561.8	\$ 1,740.1	\$ 1,770.1
Global Talent Solutions	502.5	507.6	1,509.4	1,494.1
International Staffing	252.9	277.2	779.9	848.5
Less: Intersegment revenue	(3.7)	(4.2)	(11.6)	(13.5)
Consolidated Total	\$ 1,267.7	\$ 1,342.4	\$ 4,017.8	\$ 4,099.2

KELLY SERVICES, INC. AND SUBSIDIARIES
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	Third Quarter		September Year to Date	
	2019	2018	2019	2018
(In millions of dollars)				
Earnings from Operations:				
Americas Staffing gross profit	\$ 93.9	\$ 106.0	\$ 319.9	\$ 322.5
Americas Staffing SG&A expenses	(89.8)	(91.2)	(284.2)	(273.8)
Americas Staffing Earnings from Operations	4.1	14.8	35.7	48.7
Global Talent Solutions gross profit	99.6	97.3	299.7	281.8
Global Talent Solutions SG&A expenses	(71.2)	(73.2)	(220.2)	(224.0)
Global Talent Solutions Earnings from Operations	28.4	24.1	79.5	57.8
International Staffing gross profit	34.7	36.4	105.4	115.4
International Staffing SG&A expenses	(31.2)	(31.6)	(95.1)	(99.2)
International Staffing Earnings from Operations	3.5	4.8	10.3	16.2
Less: Intersegment gross profit	(0.5)	(0.6)	(1.7)	(1.9)
Less: Intersegment SG&A expenses	0.5	0.6	1.7	1.9
Net Intersegment Activity	—	—	—	—
Corporate	(18.9)	(21.8)	(56.8)	(68.4)
Consolidated Total	17.1	21.9	68.7	54.3
Gain (loss) on investment in Persol Holdings	(39.3)	15.8	35.1	(13.0)
Other expense, net	(0.2)	(0.7)	(1.1)	(1.8)
Earnings (loss) before taxes and equity in net earnings (loss) of affiliate	\$ (22.4)	\$ 37.0	\$ 102.7	\$ 39.5

18. New Accounting Pronouncements

Recently Adopted

In June 2018, the Financial Accounting Standards Board (“FASB”) issued ASU 2018-07 simplifying the accounting for nonemployee share-based payment awards by expanding the scope of ASC Topic 718, Compensation - Stock Compensation, to include share-based payment transactions for acquiring goods and services from nonemployees. Under the new standard, most of the guidance on stock compensation payments to nonemployees would be aligned with the requirements for share-based payments granted to employees. The ASU is effective for annual reporting periods beginning after December 15, 2018, including interim reporting periods within those annual reporting periods, with early adoption permitted. The adoption of this guidance did not have a material impact on our consolidated financial statements and related disclosures.

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 elected to early adopt ASU 2017-04 as of year-end 2018 and the adoption of this ASU did not have an impact on our goodwill impairment testing process or 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. An additional optional transition method to adopt the new lease standard at the adoption date, as compared to the beginning of the earliest period presented, and recognize a cumulative-effect adjustment to the beginning balance of retained earnings in the period of adoption is allowed. We adopted this guidance with the optional transition method effective December 31, 2018. See Leases footnote for the impact on the consolidated financial statements.

Not Yet Adopted

In August 2018, the FASB issued ASU 2018-15, which aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). The ASU is effective for annual reporting periods beginning after December 15, 2019, including interim reporting periods within those annual periods, with early adoption permitted. Entities have the option to apply the guidance prospectively to all implementation costs incurred after the date of adoption or retrospectively. We are currently evaluating the impact of the new guidance on our consolidated financial statements and related disclosures.

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

In June 2016, the FASB issued ASU 2016-13, as clarified in ASU 2019-04 and ASU 2019-05, 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

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ASU applies to trade accounts receivable and may have an impact on our calculation of the allowance for uncollectible accounts receivable.

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.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

Executive Overview

The Talent Solutions Industry

Labor markets are in the midst of change due to automation, secular shifts in labor supply and demand and skills gaps. Global demographic trends are reshaping and redefining the way in which companies find and use talent. In response, the talent solutions industry is adjusting how it sources, recruits, trains and places talent.

Our industry is evolving to meet businesses’ growing demand for talent, whether delivered as a single individual or as part of a total workforce solution. Companies in our industry are using novel sourcing approaches—including gig platforms, independent contractors and other talent pools—to create workforce solutions that are flexible, responsive to the labor market and tailored to meet clients’ needs. Increasingly, clients are looking for talent advisors and partners to help them with program design, employer branding and differentiated sourcing strategies.

In addition, today’s companies are elevating their commitment to talent, with the growing realization that meeting the changing needs and requirements of talent is essential to remain competitive. The ways in which people view, find and conduct work are undergoing fundamental shifts. And as the demand for skilled talent continues to climb, workers’ changing ideas about the integration of work into life are becoming more important. In this increasingly talent-driven market, a diverse set of workers, empowered by technology, is seeking to take greater control over their career trajectories.

Our Business

Kelly Services is a recruiting, talent and global workforce solutions company serving customers of all sizes in a variety of industries. We offer innovative outsourcing and consulting services, as well as staffing on a temporary, temporary-to-hire and direct-hire basis. We provide commercial and professional/technical staffing through our branch networks in our Americas Staffing and International Staffing segments and, in APAC, we provide staffing solutions to customers through PersolKelly Asia Pacific, our joint venture with Persol Holdings, a leading provider of HR solutions in Japan. For the U.S. education market, Kelly Education is the leading provider of substitute teachers to more than 7,000 schools nationwide.

We also provide a suite of talent fulfillment and outcome-based solutions through our Global Talent Solutions (“GTS”) segment, which delivers integrated talent management solutions on a global basis. GTS provides CWO, RPO, BPO, Advisory and Talent Fulfillment solutions to help customers plan for, manage and execute their acquisition of contingent labor, full-time labor and free agents, and gain access to service providers and qualified talent quickly, at competitive rates, with minimized risk.

We earn revenues from customers that procure the services of our temporary employees on a time and materials basis, that use us to recruit permanent employees, and that rely on our talent advisory and outsourcing services. Our working capital requirements are primarily generated from temporary employee payroll and customer accounts receivable. The nature of our business is such that trade accounts receivable are our most significant asset. Average days sales outstanding varies within and outside the U.S. but was 59 days on a global basis as of the 2019 third quarter end, 55 days as of the 2018 year end and 58 days as of the 2018 third quarter end. Since receipts from customers generally lag temporary employee payroll, working capital requirements increase substantially in periods of growth.

Our Strategic Intent and Outlook

Kelly is committed to being a leading talent solutions provider in the markets in which we choose to compete, which is the foundation of our strategy in 2019 and beyond. This strategic intent is underpinned by our Noble Purpose, “We connect people to work in ways that enrich their lives,” and by our strategic pillars:

- Leadership position via scale or specialty
- Embracing the future of work
- Being the destination for top talent
- Investing in innovation and efficiency

By aligning ourselves with our Noble Purpose and executing against these strategic pillars, we expect to achieve new levels of growth and efficiency as we develop further specializations across our product portfolio.

In 2018 we also became a more focused company. We sold our healthcare and legal specialty operations, which allows us to place a greater focus on our commercial, education, engineering and science specialties. In education, we successfully integrated our 2017 acquisition of Teachers On Call (“TOC”). In engineering, we identified two companies that immediately expanded our engineering portfolio: on January 2, 2019, we acquired Global Technology Associates, LLC (“GTA”) and NextGen Global Resources LLC (“NextGen”), leaders in the growing 5G telecommunications market. These position Kelly as one of the leading engineering workforce solutions companies in this fast-growing market. Both companies provide services to the largest carriers and original equipment manufacturers in the telecommunications industry.

Other investments to date include our ongoing commitment to embracing the future of work, as the Kelly Innovation Fund participated in the seed fundraising round for Kenzie Academy, a U.S. tech apprenticeship program that develops modern tech workers. To strengthen our position in the portion of the workforce that participates as independent contractors, we have a minority equity investment in Business Talent Group (“BTG”), a U.S.-based marketplace that connects highly skilled independent talent to some of the world’s largest businesses.

We continue to make investments in technology, particularly that which supports greater efficiency in finding talent to answer customer needs. We are making substantial investments in our front and middle office platforms, which, when deployed, will streamline the processes and workflows associated with recruiting, onboarding and reassigning workers. These investments will create the platform from which we can deploy operational improvements that will enhance the experience of the hundreds of thousands of job seekers who interact and work with Kelly each year.

In the first quarter of 2019, we completed our review of our commercial staffing operations delivered by our U.S. branch network and reorganized our operations to improve geographic coverage and operational efficiency. The new structure will allow us to refine our focus on specialties within the commercial staffing portfolio, including light industrial, electronic assembly, office professionals and contact center staffing. During the first nine months of 2019, we recorded total restructuring charges of \$5.6 million as a result of these actions. While we have already gained efficiency from the restructure, the growth we anticipated has not yet occurred.

Faced with a sluggish manufacturing sector and a tight labor market, Kelly continues to focus on accelerating the execution of our strategic plan and making the necessary investments and adjustments to advance that strategy. Our objective is to become an even more competitive, consultative and profitable company, and we are reshaping our business to make that goal a reality. We will measure our progress against both revenue and gross profit growth, as well as earnings and conversion rate. We expect:

- To grow higher-margin specialty and outsourced solutions, creating a more balanced portfolio that yields benefits from improved mix;
- To integrate our investments in specialty solutions with significant growth opportunities, such as our acquisitions of GTA and NextGen;
- To deliver structural improvements in costs through investments in technology and process automation; and
- To continue to improve our conversion rate.

Financial Measures

The constant currency (“CC”) change amounts in the following tables refer to the year-over-year percentage changes resulting from translating 2019 financial data into U.S. dollars using the same foreign currency exchange rates used to translate financial data for 2018. We believe that CC measurements are a useful measure, indicating the actual trends of our operations without distortion due to currency fluctuations. We use CC results when analyzing the performance of our segments and measuring our results against those of our competitors. Additionally, substantially all of our foreign subsidiaries derive revenues and incur cost of services and selling, general and administrative (“SG&A”) expenses within a single country and currency which, as a result, provides a natural hedge against currency risks in connection with their normal business operations.

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

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

Return on sales (earnings from operations divided by revenue from services) and conversion rate (earnings from operations divided by gross profit) 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 (based on a rolling three-month period) into trade accounts receivable, net of allowances at the period end. Although secondary supplier revenues are recorded on a net basis (net of secondary supplier expense), secondary supplier revenue is included in the daily sales calculation in order to properly reflect the gross revenue amounts billed to the customer.

Results of Operations
Total Company - Third Quarter
(Dollars in millions)

	2019	2018	Change	CC Change
Revenue from services	\$ 1,267.7	\$ 1,342.4	(5.6)%	(4.8)%
Gross profit	227.7	239.1	(4.8)	(4.1)
SG&A expenses excluding restructuring charges	210.7	217.2	(3.0)	(2.3)
Restructuring charges	(0.1)	—	NM	NM
Total SG&A expenses	210.6	217.2	(3.0)	(2.4)
Earnings from operations	17.1	21.9	(22.2)	
Earnings from operations excluding restructuring charges	17.0	21.9	(22.5)	
Diluted earnings (loss) per share	(0.27)	0.84	NM	
Permanent placement income (included in revenue from services)	15.1	18.4	(18.3)	(17.3)
Gross profit rate	18.0%	17.8%	0.2 pts.	
Conversion rate	7.5	9.2	(1.7)	
Conversion rate excluding restructuring charges	7.5	9.2	(1.7)	
Return on sales	1.3	1.6	(0.3)	
Return on sales excluding restructuring charges	1.3	1.6	(0.3)	

Total Company revenue from services for the third quarter of 2019 declined 5.6% in comparison to the prior year and declined 4.8% on a CC basis. As noted in the following discussions, revenue decreased in all operating segments. Revenue from services for the third quarter of 2019 includes the results of NextGen and GTA acquisitions, which added approximately 260 basis points to the total revenue growth rate.

The gross profit rate increased by 20 basis points from the prior year. The NextGen and GTA acquisitions accounted for approximately 30 basis points of the gross profit rate growth. As noted in the following discussions, increases in the gross profit rate in GTS and International Staffing were partially offset by a decrease in the Americas Staffing gross profit rate.

Total SG&A expenses decreased 3.0% on a reported basis (2.4% on a CC basis) due primarily to the decrease in performance-based compensation, combined with the effect of cost management efforts to align resources with revenue trends. These decreases were partially offset by the addition of SG&A expenses from the NextGen and GTA acquisitions.

Diluted loss per share for the third quarter of 2019 were \$0.27, as compared to diluted earnings per share of \$0.84 for the third quarter of 2018. The 2019 third quarter diluted loss per share was impacted by a loss, net of tax, of approximately \$0.70 per share related to the investment in Persol Holdings. The 2018 third quarter diluted earnings per share were impacted by a gain, net of tax, of approximately \$0.28 per share related to the gain on the investment in Persol Holdings.

Americas Staffing - Third Quarter
(Dollars in millions)

	2019	2018	Change	CC Change
Revenue from services	\$ 516.0	\$ 561.8	(8.1)%	(8.0)%
Gross profit	93.9	106.0	(11.3)	(11.2)
SG&A expenses excluding restructuring charges	89.9	91.2	(1.3)	(1.2)
Restructuring charges	(0.1)	—	NM	NM
Total SG&A expenses	89.8	91.2	(1.4)	(1.3)
Earnings from operations	4.1	14.8	(72.6)	
Earnings from operations excluding restructuring charges	4.0	14.8	(73.1)	
Gross profit rate	18.2%	18.9%	(0.7) pts.	
Conversion rate	4.3	14.0	(9.7)	
Conversion rate excluding restructuring charges	4.2	14.0	(9.8)	
Return on sales	0.8	2.6	(1.8)	
Return on sales excluding restructuring charges	0.8	2.6	(1.8)	

The change in Americas Staffing revenue from services reflects an 11% decrease in hours volume, partially offset by the impact of the January 2019 acquisition of NextGen. The decrease in hours volume was primarily due to the disruption resulting from the restructure of the U.S. branch-based staffing in the first quarter of 2019 and slower achievement of the related benefits. Additionally, the decline reflects the more challenging market conditions we are experiencing, especially in manufacturing. Average bill rates increased 2.9% compared to the prior year (3.1% on a CC basis). The increase in average bill rates was the result of wage increases and stronger revenue growth in our service lines with higher pay rates. Americas Staffing represented 41% of total Company revenue in the third quarter of 2019 and 42% in the third quarter of 2018.

From a product perspective, the change in revenue reflects lower volume in commercial, including light industrial and office services. These decreases were partially offset by growth in professional/technical revenue, including engineering (due primarily to the NextGen acquisition) and science products.

The Americas Staffing gross profit rate decreased in comparison to the prior year. The gross profit rate was negatively impacted by higher payroll taxes, workers' compensation costs and lower permanent placement income. Permanent placement income, which is included in revenue from services and has very low direct costs of services, has a disproportionate impact on gross profit rates.

Total SG&A expenses decreased 1.4% from the prior year, due primarily to lower performance-based compensation and lower salaries, as a result of the restructuring actions taken in the first quarter of 2019. These decreases were partially offset by the addition of NextGen SG&A expenses.

GTS - Third Quarter
(Dollars in millions)

	2019	2018	Change	CC Change
Revenue from services	\$ 502.5	\$ 507.6	(1.0)%	(0.8)%
Gross profit	99.6	97.3	2.3	2.8
Total SG&A expenses	71.2	73.2	(2.8)	(2.4)
Earnings from operations	28.4	24.1	18.0	
Gross profit rate	19.8%	19.2%	0.6 pts.	
Conversion rate	28.5	24.7	3.8	
Return on sales	5.6	4.7	0.9	

Revenue from services decreased 1.0% compared to last year, due primarily to lower demand from a number of customers in centrally delivered staffing and PPO products. This decrease was partially offset by the increase in revenue from the GTA acquisition, combined with program expansion in our BPO and KellyConnect products. GTS revenue represented 40% of total Company revenue in the third quarter of 2019 and 38% in the third quarter of 2018.

The increase in the GTS gross profit rate was due to improving product mix coupled with lower employee-related costs.

Total SG&A expenses decreased 2.8% from the prior year, due to effective cost management, as we continue to align our resources and spending levels with volumes and gross profit in our products. These decreases were partially offset by the addition of GTA SG&A expenses.

International Staffing - Third Quarter
(Dollars in millions)

	2019	2018	Change	CC Change
Revenue from services	\$ 252.9	\$ 277.2	(8.8)%	(5.8)%
Gross profit	34.7	36.4	(4.8)	(1.8)
Total SG&A expenses	31.2	31.6	(0.9)	2.1
Earnings from operations	3.5	4.8	(29.6)	
Gross profit rate	13.7%	13.2%	0.5 pts.	
Conversion rate	9.9	13.5	(3.6)	
Return on sales	1.4	1.8	(0.4)	

In comparison to the prior year, International Staffing revenue from services decreased 8.8% on a reported basis and 5.8% on a CC basis. The decline was primarily due to a decrease in hours volume in France, Ireland and Switzerland. These decreases were partially offset by increased revenue in Russia, due to higher hours volume. International Staffing represented 20% of total Company revenue in the third quarter of 2019 and 21% in the third quarter of 2018.

The International Staffing gross profit rate increased primarily due to the favorable year-over-year impact related to a 2018 one-time French payroll tax adjustment, partially offset by unfavorable country mix.

Total SG&A expenses decreased 0.9% due to the effect of currency exchange rates. On a CC basis, total SG&A expenses increased 2.1% due to one-time expenses incurred to accelerate our initiatives to drive efficiencies.

Results of Operations
Total Company - September Year to Date
(Dollars in millions)

	2019	2018	Change	CC Change
Revenue from services	\$ 4,017.8	\$ 4,099.2	(2.0)%	(0.7)%
Gross profit	723.3	717.8	0.8	1.9
SG&A expenses excluding restructuring charges	661.3	663.5	(0.3)	0.8
Restructuring charges	5.6	—	NM	NM
Total SG&A expenses	666.9	663.5	0.5	1.6
Gain on sale of assets	12.3	—	NM	
Earnings from operations	68.7	54.3	26.3	
Earnings from operations excluding restructuring charges	74.3	54.3	36.7	
Diluted earnings per share	2.41	1.19	102.5	
Permanent placement income (included in revenue from services)	46.7	52.3	(10.9)	(8.6)
Gross profit rate	18.0%	17.5%	0.5 pts.	
Conversion rate	9.5	7.6	1.9	
Conversion rate excluding restructuring charges	10.3	7.6	2.7	
Return on sales	1.7	1.3	0.4	
Return on sales excluding restructuring charges	1.8	1.3	0.5	

Total Company revenue from services for the first nine months of 2019 declined 2.0% in comparison to the prior year and 0.7% on a CC basis. As noted in the following discussions, revenue decreases in Americas Staffing and International Staffing were partially offset by an increase in GTS revenue. Revenue from services for the first nine months of 2019 includes the results of NextGen and GTA acquisitions, which added approximately 270 basis points to the total revenue growth rate.

The gross profit rate increased by 50 basis points from the prior year. As noted in the following discussions, increases in the gross profit rate in Americas Staffing and GTS were partially offset by a decrease in the International Staffing gross profit rate. The NextGen and GTA acquisitions accounted for approximately 30 basis points of the gross profit rate growth.

Total SG&A expenses increased 0.5% on a reported basis (1.6% on a CC basis), due primarily to the addition of SG&A expenses from the NextGen and GTA acquisitions. Also included in SG&A expenses for the first nine months of 2019 are restructuring charges of \$5.6 million, related primarily to the U.S. branch-based staffing operations.

Gain on sale of assets primarily represents the excess of the proceeds over the cost of an unused parcel of land located near the Company headquarters sold during the second quarter of 2019.

Diluted earnings per share for the first nine months of 2019 were \$2.41, as compared to diluted earnings per share of \$1.19 for the first nine months of 2018. Diluted earnings per share for the first nine months of 2019 were impacted by a gain, net of tax, of approximately \$0.62 per share related to the investment in Persol Holdings. Diluted earnings per share for the first nine months of 2018 were impacted by a loss, net of tax, of approximately \$0.23 per share related to the investment in Persol Holdings.

Americas Staffing - September Year to Date
(Dollars in millions)

	2019	2018	Change	CC Change
Revenue from services	\$ 1,740.1	\$ 1,770.1	(1.7)%	(1.4)%
Gross profit	319.9	322.5	(0.8)	(0.6)
SG&A expenses excluding restructuring charges	278.6	273.8	1.7	2.0
Restructuring charges	5.6	—	NM	NM
Total SG&A expenses	284.2	273.8	3.8	4.1
Earnings from operations	35.7	48.7	(26.7)	
Earnings from operations excluding restructuring charges	41.3	48.7	(15.1)	
Gross profit rate	18.4%	18.2%	0.2 pts.	
Conversion rate	11.2	15.1	(3.9)	
Conversion rate excluding restructuring charges	12.9	15.1	(2.2)	
Return on sales	2.1	2.8	(0.7)	
Return on sales excluding restructuring charges	2.4	2.8	(0.4)	

The change in Americas Staffing revenue from services reflects a 7% decrease in hours volume, partially offset by the impact of the January 2019 acquisition of NextGen and a 5.4% increase in average bill rates (5.7% on a CC basis). The decrease in hours volume was primarily due to the disruption resulting from the restructure of the U.S. branch-based staffing in the first quarter of 2019 and slower achievement of the related benefits. The increase in average bill rates was the result of wage increases and stronger revenue growth in our service lines with higher pay rates. Americas Staffing represented 43% of total Company revenue in the first nine months of both 2019 and 2018.

From a product perspective, the change in revenue reflects decreases in light industrial and office services volume. These decreases were partially offset by an increase in engineering (due primarily to the NextGen acquisition), educational staffing and science products.

The Americas Staffing gross profit rate increased in comparison to the prior year. The gross profit rate was positively impacted by the addition of NextGen.

Total SG&A expenses increased 3.8% from the prior year, due primarily to the addition of NextGen SG&A expenses during 2019. Also included in total SG&A expenses for the first nine months of 2019 are restructuring charges of \$5.6 million, representing severance costs primarily related to U.S. branch-based staffing operations.

GTS - September Year to Date
(Dollars in millions)

	2019	2018	Change	CC Change
Revenue from services	\$ 1,509.4	\$ 1,494.1	1.0%	1.4%
Gross profit	299.7	281.8	6.3	7.0
Total SG&A expenses	220.2	224.0	(1.7)	(1.0)
Earnings from operations	79.5	57.8	37.5	
Gross profit rate	19.9%	18.9%	1.0 pts.	
Conversion rate	26.5	20.5	6.0	
Return on sales	5.3	3.9	1.4	

Revenue from services increased 1.0% compared to last year, due primarily to the increase in revenue from the GTA acquisition, combined with program expansion in our BPO and KellyConnect products. These increases were partially offset by lower demand from a number of customers in centrally delivered staffing. GTS revenue represented 38% of total Company revenue in the first nine months of 2019 and 36% in the first nine months of 2018.

The increase in the GTS gross profit rate was due to improving product mix coupled with lower employee-related costs.

Total SG&A expenses decreased 1.7% from the prior year, due to effective cost management, as we continue to align our resources and spending levels with volumes and gross profit in our products. These decreases were partially offset by an increase in SG&A expenses related to the January 2019 acquisition of GTA.

International Staffing - September Year to Date
(Dollars in millions)

	2019	2018	Change	CC Change
Revenue from services	\$ 779.9	\$ 848.5	(8.1)%	(3.0)%
Gross profit	105.4	115.4	(8.7)	(3.6)
Total SG&A expenses	95.1	99.2	(4.0)	1.0
Earnings from operations	10.3	16.2	(36.9)	
Gross profit rate	13.5%	13.6%	(0.1) pts.	
Conversion rate	9.7	14.1	(4.4)	
Return on sales	1.3	1.9	(0.6)	

In comparison to the prior year, International Staffing revenue from services decreased 8.1% on a reported basis and 3.0% on a CC basis. The decline was primarily due to revenue declines in France, related to decreases in hours volume, and Germany, reflecting current market conditions. These decreases were partially offset by increased revenue in Russia, due to higher hours volume. International Staffing represented 19% of total Company revenue in the first nine months of 2019 and 21% in the first nine months of 2018.

The International Staffing gross profit rate decreased primarily due to unfavorable customer mix and lower permanent placement revenue.

Total SG&A expenses decreased 4.0% due to the effect of currency exchange rates. On a CC basis, total SG&A expenses increased 1.0%, due to one-time expenses incurred to accelerate our initiatives to drive efficiencies.

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. This may result in an increase in our operating cash flows; however, any such increase would not be sustainable in the event that an economic downturn continued for an extended period. As highlighted in the consolidated statements of cash flows, our liquidity and available capital resources are impacted by four key components: cash, cash equivalents and restricted cash, operating activities, investing activities and financing activities.

Cash, Cash Equivalents and Restricted Cash

Cash, cash equivalents and restricted cash totaled \$28.6 million at the end of the third quarter of 2019 and \$40.1 million at year-end 2018. As further described below, we generated \$74.2 million of cash from operating activities, used \$88.8 million of cash for investing activities and generated \$3.6 million of cash from financing activities.

Operating Activities

In the first nine months of 2019, we generated \$74.2 million of net cash from operating activities, as compared to generating \$33.3 million in the first nine months of 2018, representing recurring working capital changes.

Trade accounts receivable totaled \$1.3 billion at the end of the third quarter of 2019. Global DSO was 59 days at the end of the third quarter of 2019 and 58 days at the end of the third quarter of 2018.

Our working capital position (total current assets less total current liabilities) was \$465.8 million at the end of the third quarter of 2019, a decrease of \$37.2 million from year-end 2018. The decrease in working capital is driven by lower trade accounts receivable as a result of the decrease in revenue. The current ratio (total current assets divided by total current liabilities) was 1.5 at the end of the third quarter of 2019 and 1.6 at year-end 2018. Both ratios were impacted by our acquisitions described within investing activities.

Investing Activities

In the first nine months of 2019, we used \$88.8 million of cash for investing activities, as compared to using \$26.6 million in the first nine months of 2018. The year-over-year increase in cash used for investing activities was primarily due to \$50.8 million for the acquisition of NextGen in January 2019, net of the cash received, and \$35.6 million for the acquisition of GTA in January 2019, net of the cash received, partially offset by proceeds of \$13.8 million from primarily the sale of unused land during the second quarter of 2019.

Financing Activities

In the first nine months of 2019, we generated \$3.6 million of cash from financing activities, as compared to using \$17.0 million in the first nine months of 2018. The change in cash used in financing activities was primarily related to short-term borrowing activities. Debt totaled \$17.5 million at the end of the third quarter of 2019 and was \$2.2 million at year-end 2018. Debt-to-total capital (total debt reported in the consolidated balance sheet divided by total debt plus stockholders' equity) is a common ratio to measure the relative capital structure and leverage of the Company. Our ratio of debt-to-total capital was 1.4% at the end of the third quarter of 2019 and 0.2% at year-end 2018.

The change in short-term borrowings in the first nine months of 2019 was primarily due to borrowings on our securitization facility. The change in short-term borrowings in the first nine months of 2018 was primarily due to payments on our revolving credit facility.

We made dividend payments of \$8.9 million in the first nine months of 2019 and \$8.8 million in the first nine months of 2018.

New Accounting Pronouncements

See New Accounting Pronouncements footnote in the Notes to Consolidated Financial Statements of this Quarterly Report on Form 10-Q for a description of new accounting pronouncements.

Contractual Obligations and Commercial Commitments

There are no material changes in our obligations and commitments to make future payments from those included in the Company's Annual Report on Form 10-K filed February 14, 2019. 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. We are reviewing our real estate portfolio in the U.S. and other potential sources of liquidity, such as the CICE wage subsidy receivable in France, in an effort to potentially monetize such sources. Additional funding sources could include asset-based lending or additional bank facilities.

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 2019 third quarter 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.

As of the end of the third quarter of 2019, we had \$150.0 million of available capacity on our \$150.0 million revolving credit facility and \$130.7 million of available capacity on our \$200.0 million securitization facility. The securitization facility carried \$16.6 million of short-term borrowings and \$52.7 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. As of the end of the third quarter of 2019, we met the debt covenants related to our revolving credit facility and securitization facility. We are in the process of refinancing our revolving credit facility and securitization facility and expect it to be completed by year-end 2019.

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.

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, the exposure to potential market and currency exchange risks relating to our investment in Persol Holdings, risks associated with violations of anti-corruption, trade protection and other laws and regulations, availability of qualified full-time employees, availability of temporary workers with appropriate skills required by customers, liabilities for employment-related claims and losses, including class action lawsuits and collective actions, 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 realize value from our tax credit and net operating loss carryforwards, our ability to maintain specified financial covenants in our bank facilities to continue to access credit markets, and other risks, uncertainties and factors discussed in this report and in our other filings with the Securities and Exchange Commission. Actual results may differ materially from any forward-looking statements contained herein, and we have no intention to update these statements. Certain risk factors are discussed more fully under “Risk Factors” in Part I, Item 1A of the Company’s Annual Report on Form 10-K.

Item 3. 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 2019 third quarter earnings.

We are exposed to market and currency risks on our investment in Persol Holdings, which may be material. The investment is stated at fair value and is marked to market through net earnings. Foreign currency fluctuations on this yen-denominated investment are reflected as a component of other comprehensive income (loss). See Fair Value Measurements footnote in the Notes to Consolidated Financial Statements of this Quarterly Report on Form 10-Q for further discussion.

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

Item 4. Controls and Procedures.

Based on their evaluation as of the end of the period covered by this Form 10-Q, the Company's Chief Executive Officer and Chief Financial Officer have concluded that the Company's 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.

Effective September 30, 2019, George S. Corona retired from his role as President and Chief Executive Officer ("CEO"), and will serve as a non-executive employee of the Company, in a transitional and advisory role, until his retirement from the Company during the first half of 2020. Mr. Corona will continue to serve as a member of the Board of Directors ("Board"). Effective October 1, 2019, Peter W. Quigley was appointed President and CEO of the Company and a member of the Board.

There were no other changes in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

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

While the outcome of these matters 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.

We are also currently engaged in litigation with a customer over a disputed accounts receivable balance for services rendered, which is recorded as a long-term receivable in other assets in the consolidated balance sheet. While we believe the balance is collectible, there is a reasonably possible risk of an unfavorable outcome.

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 1A. Risk Factors.

There have been no material changes in the Company's risk factors previously disclosed in Part I, Item 1A of the Company's Annual Report filed on Form 10-K for year ended December 30, 2018.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

(a) Sales of Equity Securities Not Registered Under the Securities Exchange Act of 1933

None.

(c) Issuer Repurchases of Equity Securities

During the third quarter of 2019, 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)
July 1, 2019 through August 4, 2019	306	\$ 26.21	—	\$ —
August 5, 2019 through September 1, 2019	2,052	27.19	—	\$ —
September 2, 2019 through September 29, 2019	61	24.58	—	\$ —
Total	2,419	\$ 27.00	—	

We may reacquire shares sold to cover employee tax withholdings due upon the vesting of restricted stock and performance shares held by employees. Accordingly, 2,419 shares were reacquired in transactions during the quarter.

Item 3. Defaults Upon Senior Securities.

Not applicable.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

Not applicable.

Item 6. Exhibits.

See Index to Exhibits required by Item 601, Regulation S-K, set forth on page 47 of this filing.

SIGNATURES

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

KELLY SERVICES, INC.

Date: November 6, 2019

/s/ Olivier G. Thiot
Olivier G. Thiot

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

Date: November 6, 2019

/s/ Laura S. Lockhart
Laura S. Lockhart

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

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

<u>Exhibit No.</u>	<u>Description</u>
14	Code of Business Conduct and Ethics, revised August 2019.
31.1	Certification Pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act, as amended.
31.2	Certification Pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act, as amended.
32.1	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data file because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.

Code of Business Conduct and Ethics

Revised August 2019

Kelly Services, Inc. (“the Company”) is committed to doing the right thing, conducting ourselves in a legal, ethical, and trustworthy manner, upholding our regulatory obligations, and complying with both the letter and spirit of our business policies and applicable local laws in the countries where we operate. We take pride in doing business with integrity and respect the value of ethical business conduct. The Board of Directors (the “Board”) of the Company has adopted the following Code of Business Conduct and Ethics (the “Code”) that applies to the Board itself, and every employee of the Company, regardless of position, country, business unit or subsidiary.

The Code is intended to help us recognize and deal with ethical issues, deter wrongdoing, provide mechanisms to report any concerns, promote honest and ethical conduct, provide full, fair, and timely disclosure in the Company’s reports and communications, comply with applicable governmental laws, rules, and regulations, and foster a culture of honesty and accountability.

Each of us has a personal responsibility to conduct ourselves, and ensure that our suppliers, agents, and representatives are aware of their obligation to conduct themselves, in a legal, ethical way and to comply with both the letter and the spirit of this Code.

If you are a manager, you have a special trust and responsibility to the Company. Holding a management position with the Company means accepting an additional set of responsibilities. Our managers are given a great deal of influence over Kelly’s values and culture. Managers are expected to embody Kelly’s values, lead by example with their own conduct, demonstrate a strong commitment to leadership and teamwork, create an open-door environment so employees feel comfortable asking questions and making reports, and act promptly when they become aware of something that violates our Code, other policies, or the law.

No code or policy can anticipate every situation that may arise. This Code is intended to serve as a guide in making decisions that aren’t always easy. In complex situations, employees should take the time to consider their options carefully. Employees are encouraged to ask their manager, or another manager they trust questions about specific circumstances that may involve the provisions of this Code. Employees also may present their questions to the Vice President, Internal Audit, the General Counsel, their Human Resources representative, or to the Kelly Business Conduct and Ethics Reporting Program.

It is important that each of us takes the time to review this Code and develop a working knowledge of its provisions. Each of us is required to certify our compliance with the Code at the time of joining the Company, and annually thereafter.

Conflict of Interest

A “conflict of interest” occurs when our individual personal interests interfere, or appear to interfere, in any way with the interests of the Company. Each of us must act with integrity and avoid any relationship or activity that might impair our ability to make objective and fair decisions while fulfilling our job responsibilities. The way we conduct ourselves in the work environment impacts our reputation and the trust we maintain with customers, employees, candidates, applicants, vendors, and suppliers. By avoiding conflicts of interest, this group of Kelly stakeholders clearly understands our commitment to maintaining the integrity of the Company. Care should also be taken about the appearance of a conflict since such appearance might impair confidence in, or the reputation of, the Company even if there is no actual conflict and no wrongdoing.

This Code does not attempt to describe all possible conflicts of interest which could develop. Some of the more common conflicts from which we should refrain, are:

- an employee or a family member receiving an improper personal benefit as a result of the employee’s position with the Company. A “family member” means a spouse, parents, children, siblings (whether by blood, marriage, or adoption), or anyone who resides in an employee’s home;
- outside employment (i.e., a second job) working for a company that is a competitor, business partner, customer, or supplier to the Company;

- knowingly engaging in any conduct or activity that is inconsistent with the Company's best interests or that disrupts or impairs the Company's relationship with any person or entity with which the Company has or proposes to enter into a business or contractual relationship;
- accepting compensation or financial benefit, in any form, including loans, from any source other than the Company, which affects job performance in any way, particularly any compensation received from an entity with which the Company has a relationship;
- offering, giving, or receiving gifts to or from anyone who deals with the Company in cases where the gift is being made to influence our actions in our position with the Company, or where acceptance of the gifts could create the appearance of an impropriety.

Any situation that involves, or may reasonably be expected to involve, a conflict of interest with the Company must be disclosed immediately to the Vice President, Internal Audit or the General Counsel. We must avoid situations that can lead to conflicts of interest, but promptly disclosing them helps to ensure there is never any impropriety in any of our business dealings. Having a conflict of interest isn't necessarily a violation of the Code, but failing to disclose such a situation is.

Directors and executive officers must seek determination and prior authorization or approval of potential conflicts of interest from the Audit Committee.

Anti-Bribery and Anti-Corruption

We take pride in conducting our business with integrity and are committed to abiding by all applicable laws in the countries where we operate. Each of us has an obligation to comply with all applicable anti-bribery and anti-corruption laws, including but not limited to the U.S. Foreign Corrupt Practices Act ("FCPA"), the U.K. Bribery Act, and the French Law 2016-1691 ("Sapin II"), as well as all other country-specific anti-bribery and anti-corruption laws.

Individuals may not give, promise, offer, or authorize payment of anything of value, no matter how small, to any supplier, vendor, customer, government employee, or other person for the purpose of improperly influencing a decision, securing an advantage, avoiding a disadvantage, or obtaining or retaining business. Please refer to the Anti-Bribery and Anti-Corruption Policy which includes sections regarding gifts and entertainment for additional information. Examples of items of value used in bribery are: charitable donations, cash, travel expenses, gifts, offers of entertainment, or any other item of value to the recipient. In addition, the Company does not accept kickbacks. Kickbacks are the return of a sum received (or due to be received) as part of an agreement to foster or arrange business.

Violation of anti-bribery or anti-corruption laws can have serious consequences for both the Company and the individuals involved in such violations, including the possibility of substantial fines and penalties, civil damages, and criminal penalties. In many jurisdictions, violation of anti-bribery and anti-corruption laws can also include significant jail time. Each of us is required to take the FCPA and anti-bribery and anti-corruption training provided by the Company and to certify compliance with the principles outlined in the training and this Code yearly.

Any suspected violation should be reported immediately to Vice President Internal Audit, General Counsel, or Kelly Services Law Department (at Mailbox Employment Law (employlaw@kellyservices.com)) or +1 248.244.4555 or through Kelly Services' Business Conduct & Ethics Reporting Program at 877.978.0049 or <https://www.integrity-helpline.com/kellyservices.jsp> in the United States, or for Europe, <https://www.financial-integrity.com/kellyserviceseu.jsp> or at the hotline numbers located in the Code of Business Conduct and Ethics.

Insider Trading

Individuals who have access to material non-public information are not permitted to use or share the information for securities trading purposes ("insider trading") or for any other purpose except to conduct the Company's business. It is always illegal to trade in Kelly securities (class A and class B common stock) or any related options or other rights while in possession of material non-public information, and it is also illegal to communicate or "tip" such information to others. For something to qualify as inside information, it must be both material (means that a reasonable investor would consider it important as it is likely to change the security's perceived value) and non-public. Examples of material inside information include, but are not limited to: mergers, acquisitions or divestitures, financial results and forecasts, new products or services, unusual financings or offerings, bankruptcy filings, board of director changes, senior officer changes, public accounting firm change, and unexpected

financial results or revisions. Kelly has adopted an Insider Trading Policy that includes procedures applicable to all employees and also those that apply to the Company's Board of Directors, executive officers, and other key employees ("Restricted Persons"). This document is also posted on Kelly's website and is sent periodically to Restricted Persons in connection with certification of compliance.

Corporate Opportunities

Each of us has a responsibility to the Company to advance its legitimate interests.

We must not:

- personally take for ourselves or divert to others opportunities that are discovered through the use of Company property, information or our respective position;
- use Company employees, property, information, or our respective positions for personal gain; or
- compete with the Company, directly or indirectly, for business opportunities.

Confidentiality and Privacy

Kelly is committed to safeguarding the integrity, availability, and confidentiality of Kelly's information and information systems, as well as those entrusted to Kelly by its customers, employees, candidates, applicants, vendors, and suppliers. Accordingly, each of us is expected, as a condition of employment, to safeguard data and systems from unauthorized use, disclosure, modification, destruction, or loss, by complying with Kelly's Privacy Statement, which can be found at <https://www.kellyservices.com/global/privacy-statement/>, and its Information Security Policy.

Confidential and private information includes personal data, as well as Company information that has not been made public. Confidential personal data includes: salary and earnings data, identification numbers, banking and financial information, and information on health or family issues. Confidential Company information that has not been made public includes: business plans, pricing or cost information, contracts and customer lists, materials disclosing operational goals or projects, copyrighted materials, research or strategies, and inside financial information that could be used for personal gain. The Company's Corporate Disclosure and Communications Policy contains additional details about external communications and the proper sharing of Company information. If there is any doubt as to whether confidential information should be disclosed, employees should seek advice from their manager or a Legal Department representative.

Inquiries from the Media and External Communications

The Company is committed to providing full, fair, and accurate disclosure in all public communications. As a public Company, we are committed to full compliance with the U.S. Securities and Exchange Commission's Regulation FD (Fair Disclosure). Consistent with this commitment, and as further described in the Company's Corporate Disclosure and Communications Policy, employees are not authorized to answer questions from the media, analysts, investors, or any other members of the public. If you should receive such an inquiry, you must record the name of the person and immediately refer the inquiry to Investor Relations.

As an employee of Kelly, you are personally responsible for any comments about, and on behalf of the Company, that you post to a social media network (e.g., Facebook, LinkedIn, Twitter, YouTube, blogs, or forums). When identifying yourself on these networks as a Kelly employee, you associate yourself with the Company, your colleagues, managers, and customers. Therefore, be mindful that your postings will be available to the general public, reflect on the Company's reputation and business interests, and may not interfere with your work or create a conflict of interest between you and Kelly Services. If you communicate about Kelly externally using online social media, you are expected to observe the guidelines of Kelly's Social Media Policy.

Protection and Proper Use of Company Assets

We must each protect the Company's assets and ensure we use them in the most efficient and sustainable fashion. No one is to use Company assets, including Kelly's facilities, equipment, property, technology, information, intellectual property, and brand for personal benefit, and all employees have a duty to safeguard these assets against theft, loss, waste, or damage.

Fair Dealing

We have a responsibility to deal fairly with each other and our customers, employees, applicants, candidates, and suppliers. No one must take unfair advantage of anyone else through manipulation, concealment, abuse of confidential information, misrepresentation of material facts, or any other unfair dealing practices. We must never make an agreement with a competitor that would restrict trade. Any coordination between our Company and our competitors can violate competition laws, even if it is based on an informal agreement. When we interact with competitors, we should never discuss: dividing territories or customers; fixing a price that we charge for a particular product or service; discounts, terms or conditions of sale that we offer; or boycotting certain customers or suppliers.

Contract Management

Kelly's reputation and the trusted relationships we have with customers are the result of our employees' hard work over many years. When we make commitments on the Company's behalf, we always want to be certain that we will be able to follow through on our promises. For this reason, it is critical that in any situation where we create a legal obligation for Kelly, each aspect of the agreement must be properly recorded, reviewed and approved. When we enter into a contract with a customer, we must ensure the appropriate review and approvals have been obtained by following the Company's Signing Authority. If you have any questions about obtaining the appropriate review and approval of a customer contract, please contact the Company's Legal Department.

Behavior in the Workplace

Kelly is committed to maintaining a work environment which promotes individual dignity and mutual respect and following all applicable laws and legislation related to labor and human rights. Inappropriate behavior in the workplace, which extends to business travel and after-hour Company sponsored events, will result in disciplinary action, up to and including termination.

We seek to foster a workplace that embraces differences in viewpoints, cultures, race, age, disability, religion, national origin, ethnicity, sexual orientation, gender identity/expression, and gender. We believe that diversity in opinions and ideas help make us a stronger organization, one that is better able to innovate creative solutions for our customers. It is the policy of Kelly to protect the employment rights of qualified applicants and employees regardless of an individual's race, color, age, marital status, veteran status, religion, national origin, genetic information, sexual orientation, gender, gender identity/expression, disability, pregnancy, and/or other protected categories under applicable laws. We never make employment decisions based on these legally protected personal characteristics. Kelly provides equal opportunities based on skills and abilities, striving to create a workforce that reflects the diversity of the communities in which we operate. In many countries, we embrace our legal obligation to take affirmative action to promote hiring and advancement in employment among people within certain protected classifications. We believe doing so is the right thing to do and good for our business.

It is the policy of Kelly to comply with all applicable laws concerning the employment of persons with disabilities. Consistent with that commitment, it is Kelly's policy not to discriminate against qualified individuals with disabilities in regard to application procedures, hiring, advancement, discharge, compensation, training, or other terms, conditions, and privileges of employment.

Any hostile conduct directed at an individual, including but not limited to his or her race, color, age, religion, national origin, ethnicity, gender, sexual orientation, gender identity/expression, or disability is expressly prohibited. Harassment may take many forms, from overt sexual advances to offhanded remarks or jokes, to offensive gestures, regardless of the intent. Some examples of inappropriate behavior in the workplace that will not be tolerated by the Company include: verbal actions such as threats, derogatory epithets, slurs, derogatory comments, negative stereotyping, or offensive jokes; non-verbal action such as gestures that belittle, insult, ridicule, or show hostility to an individual or group; distributing or displaying degrading or derogatory materials such as posters, photographs, cartoons, drawings or jokes, in either written or electronic form; and sexual advances, requests for sexual favors, other unwanted verbal or physical conduct where submission is a condition of employment or used as the basis for employment decisions, or communication of a sexual nature that is not used for reporting on or investigating conduct of a sexual nature. Any form of harassment can create a hostile, intimidating, or offensive working environment, and can interfere with work performance. Kelly has implemented strong policies against harassment in each country where we operate. These policies describe the conduct that is prohibited and establish procedures for raising concerns and reporting violations. They set expectations of our managers and define the responsibilities of Human Resources, Legal and Compliance Departments in reporting.

To avoid perceptions of favoritism, conflicts of interest, lack of confidentiality, unfair treatment, or potential coercion, 1) a relative of an employee, 2) a person living in the household of an employee, or 3) a person in a dating, sexual, romantic, or other intimate relationship with an employee, should not be hired or transferred into a position that results in him or her being in the same chain of command as that employee without the prior written approval of the Chief Human Resources Officer (the "CHRO"). In the event circumstances develop between employees requiring the written approval noted above, both employees are required to report the circumstances to their Human Resources Representative. With respect to Executive and Senior Officers, based upon the concern that their scope of influence or perceived influence can extend over the entirety of Kelly Services' workforce, prior written approval of the CHRO shall be required for relationships with any and all employees of Kelly Services. Employees involved in a relationship covered by this policy will be asked to sign a document acknowledging that their relationship is entirely consensual and free from coercion and harassment. Employees in violation of this policy may be subject to termination of employment.

Kelly has a zero-tolerance policy regarding violence in the workplace. In order to help protect our co-workers and ourselves, we have an obligation to immediately report any situation involving violence, threats, bullying, or intimidation. If you have concerns about the immediate safety of yourself or others, please contact local authorities at once, before reporting the situation internally.

Kelly strives to ensure a safe, secure workplace and working conditions that promote health and well-being for all of our employees. The Company has put policies and practices in place to support these goals, and provides the resources and training we need to be able to lead injury-free lives. We are each responsible for paying close attention to our surroundings, following all safety rules and procedures, and reporting any unsafe conditions or work-related injury or illness.

Our commitment to maintaining a safe workplace means never reporting to work under the influence of alcohol, illegal drugs, or any other substance that could impair our ability to do our jobs safely. The use of alcohol or illegal drugs while at work is not permitted as it inhibits clear and sound thinking and can endanger the safety of others. Even some prescribed medications can present a problem if they impact your ability to work safely. Please be mindful of your own safety, and the safety of those around you when taking prescribed medications.

Corporate Sustainability

Kelly is committed to the highest standards of corporate citizenship with a culture and values rooted in service, integrity and taking personal responsibility for our actions, outcomes, and reputation. Given the worldwide span of our workers, clients, suppliers, and partners, we recognize the global reach of our business practices and our public accountability.

We are individually and collectively accountable for contributing to our corporate sustainability commitments which are more fully laid out in our Corporate Sustainability Policy. We encourage participation across our organization, and we will work with external stakeholders to continually advocate on behalf of the global workforce, improve our workplaces, contribute to the communities we serve, and ensure our actions are socially, ethically, and environmentally responsible.

Compliance with Laws, Rules and Regulations

Each of us shall strive to ensure that our suppliers, agents, and representatives are aware of their obligation to, comply with all laws, rules, regulations applicable to the Company including the Foreign Corrupt Practices Act, and other anti-corruption and anti-bribery laws, labor and employment laws, antitrust laws, insider trading laws, applicable health, safety, environmental laws, applicable data privacy and protection laws, and all policies established by the Company. If any third-party is found to be engaging in corrupt activities while working on behalf of the Company, we will take swift and appropriate action pursuant to the Anti-Bribery and Anti-Corruption Policy.

Risk Tolerance

Risk is a necessary aspect of the continuous change that must occur to ensure growth and prosperity. Although the assumption of risk is necessary to protect the Company's well-being, not all risks are wise and appropriate. We will not tolerate activity that endangers our employees or others, jeopardizes the Company's financial well-being, or is contrary to our character and values. By contrast, we embrace risks that are carefully considered, within our tolerance, and assumed in pursuit of a suitable reward. We accept that not all deliberate risk decisions will have a favorable outcome.

We expect all Kelly employees to follow these principles as set forth in Kelly's Risk Appetite and Tolerance Statement in their daily business conduct.

Anti-Human Trafficking and Slavery

Kelly has a zero-tolerance policy against all forms of human trafficking and related activities. Kelly is committed to globally protecting against trafficking in any persons, including employees and candidates. Kelly's policy statement regarding Human Trafficking and Slavery is available on the Company's website at <https://www.kellyservices.com/global/sectionless-pages/human-trafficking-policy/>.

Seeking Advice and Reporting Concerns

When in doubt about the best course of action in a specific situation, employees should talk to their managers, Human Resources representative, Legal Department representative, or other appropriate personnel.

Kelly values the reporting of concerns by employees. Known or suspected violations of laws, rules, and regulations applicable to the Company, of this Code or any Company policy, must be promptly reported to Kelly Services' Business Conduct & Ethics Reporting Program at 877.978.0049 or <https://www.integrity-helpline.com/kellyservices.jsp> or <https://www.financial-integrity.com/kellyserviceseu.jsp> for Europe. Subject to applicable laws, anonymous reporting will be permitted through Kelly's Business Code and Ethics Reporting Program. Retaliation, harassment, and reprisals of any kind against any director, officer, or employee for reports made in good faith is expressly prohibited and will result in corrective action, including termination of employment. Moreover, nothing in this Code or any Company policy or agreement prohibits any person from reporting possible violations of law or regulation or making other protected disclosure to any governmental agency or entity without the prior consent of the Company.

It is the Company's responsibility to conduct a prompt investigation of any concern about a violation or possible violation of this Code. If an employee does not feel that a reported violation has been appropriately addressed, he or she should follow up through the Kelly Business Code and Ethics Reporting Program described above or directly with the Vice President, Internal Audit or the General Counsel.

If you seek advice, raise a concern or report misconduct, you are doing the right thing, and Kelly is committed to providing an opportunity for employees to express their concerns and report misconduct without fear of retaliation. Therefore, retaliation, harassment or reprisals of any kind against any director, officer, or employee for reports made in good faith will never be tolerated for raising a concern, reporting a violation or participating in an investigation. Retaliation is usually defined as an adverse employment action or any action affecting the terms or conditions of employment. Any employees attempting to engage in retaliatory action will be subject to disciplinary action, up to and including termination. If you suspect that you or someone else has been retaliated against for raising any legal or business conduct issue, immediately contact the General Counsel, CHRO, or Internal Audit.

If a report regarding a violation of policy or law is received, it will be investigated and documented in accordance with Kelly's approved investigation procedures. Once an allegation of serious misconduct is logged into our system, we will conduct a prompt, thorough, consistent and unbiased investigation. These investigations are conducted by appropriate internal personnel or outside experts who will work in conjunction with the Law Department, Human Resources, Global Security, Compliance and Internal Audit. Employees are not permitted to conduct their own investigation into a matter without permission from the Legal Department. All employees are expected to provide full cooperation and truthful answers in an investigation, and failure to do so will result in disciplinary actions, up to and including termination. We will, where practicable and permissible, endeavor to keep the person reporting the issue apprised of the progress and outcome of the investigation, but have no obligation to do so. If corrective action is required as a result of the investigation, we will determine the appropriate steps to take (including, when appropriate, legal action) to stop the ongoing violation, rectify a problem that already occurred, and reduce the likelihood of its recurrence.

Outside Activities

Subject to the limitations imposed by this Code, each employee is free to engage in outside activities that do not interfere with the performance of his or her responsibilities or otherwise conflict with the Company's interests. Where activities may be of a controversial or sensitive nature, employees are encouraged to seek the guidance of a responsible supervisor, the General Counsel, or other appropriate internal authority before engaging in such activities.

Employees must not use their Company position or title or any Company equipment, supplies, or facilities in connection with outside activities, nor may they do anything that might infer sponsorship or support by the Company of such activity, unless they have received approval in writing from the General Counsel or other appropriate internal authority.

Prior to seeking any election or appointment to public office, employees must notify their supervisor and the General Counsel to clarify the Company's position in the event the candidacy is successful or the appointment is made. Written approval must be obtained.

Political Contributions

In the United States, federal and many state laws prohibit corporations from making certain types of political contributions. No direct or indirect political contribution (including the use of Company property, equipment, funds, or other assets) of any kind may be made in the name of the Company, or by using Company funds, unless the Company's General Counsel has certified in writing that such political contribution complies with applicable law. Please refer to the Anti-Bribery and Anti-Corruption Policy for additional instruction on lobbying and rules governing political contributions.

Public Company Reporting; Books and Records; Internal Controls

Employees are expected to support the Company's efforts to fully and fairly disclose the results of operations and financial condition of the Company in compliance with applicable accounting principles, laws, rules, and regulations and make full, fair, accurate, timely, and understandable disclosure in our periodic reports filed with the Securities and Exchange Commission and in other public communications, including to investors, creditors, securities analysts, rating agencies, regulators, and the media.

Our financial statements and the books and records on which they are based must accurately reflect all corporate transactions and conform to all legal and accounting requirements and our system of internal controls. The Company does not tolerate any misclassification of transactions as to accounts, departments, or accounting periods. All records must fairly and accurately reflect in reasonable detail the Company's assets, liabilities, revenues, and expenses. Employees must always: comply with the Company's system of internal accounting controls; record data in a timely and accurate manner (including data used to determine compensation, including hours worked and overtime, and data used for expense reimbursement); and maintain documents in accordance with the Company's records retention policy. We are each responsible for reporting any inaccurate, incomplete, or fraudulent entries we become aware of.

In summary, all employees, and in particular, the Chief Executive Officer, the Chief Financial Officer, the Chief Accounting Officer, and their designees (the "Senior Financial Officers"), have a responsibility to ensure that the Company's accounting records do not contain any false or misleading statements. The Senior Financial Officers have the additional responsibility to make sure that the Company files with the U.S. Securities and Exchange Commission full, fair, timely, and understandable reports and documents. In addition to the reporting requirements set forth elsewhere in this Code, Senior Financial Officers must promptly report any known or suspected material violations of the Code to the Audit Committee.

We fully comply with requests from our internal and external auditors and provide them with the most accurate and timely information. Any effort to mislead or coerce the independent auditors or a member of the internal audit staff may have serious legal consequences and is strictly prohibited.

Global Policies, Statements, and Training

Kelly maintains specific policies that cover various areas of conduct and governance. The following are global policies, statements, and training that all employees are expected to understand and honor. Links to those policies that can be found on our public website are included below:

- [Anti-Bribery and Anti-Corruption Policy](#)
- [Code of Business Conduct and Ethics](#)
- [Corporate Disclosure and Communications Policy](#)
- [Corporate Sustainability Policy](#)
- [Global Diversity and Inclusion Training](#)

- Health and Safety
- Human Trafficking and Slavery
- Information Security
- Insider Trading
- Privacy Statement
- Risk Appetite and Tolerance Statement
- Social Media
- Travel, Expense, and Entertainment
- Workplace Violence

Failure to Comply; Compliance Procedures

The failure by any director, officer, or employee to comply with the laws, rules, or regulations governing the Company's business, this Code, or any Company policy will constitute grounds for corrective action, up to and including termination of employment or engagement. Reports of known or suspected violations will be promptly investigated by the appropriate function, which may include Audit, Human Resources or Law.

Contacts		
<u>Kelly Services' Business Conduct & Ethics Reporting Program</u>	877-978-0049	https://www.integrity-helpline.com/kellyservices.jsp or for Europe: https://kellyserviceseu.alertline.com/gcs/welcome
Sara Hennig, Vice President, Internal Audit	248-244-4825	Sara.Hennig@kellyservices.com
Hannah Lim-Johnson, Senior Vice President and General Counsel	248-244-7598	hannah.lim@kellyservices.com
<u>Jim Polehna, Senior Vice President, Corporate Secretary and Investor Relations</u>	<u>248-244-4586</u>	polehjm@kellyservices.com
<u>Kristin Supancich, Senior Vice President and Chief Human Resources Officer</u>	<u>248-244-5587</u>	SUPANKR@kellyservices.com

Reviewed and adopted by Board of Directors August 6, 2019.

Dialing Instructions

1. Place your call from a "land line" that allows international calls (not a mobile phone).
2. Using the chart below, locate the Direct Access Code for the country you are calling from.
3. Dial the Direct Access Code provided.
4. When prompted, dial the Hotline Number (877-978-0049).
5. Once connected to the Hotline, follow the prompts to speak with a Hotline representative.

Kelly Services, Inc.

COUNTRY	DIRECT ACCESS CODE	HOTLINE NUMBER
Australia (Optus)	1-800-551-155	877-978-0049
Australia (Telstra)	1-800-881-011	877-978-0049
Austria / Österreich	0800-200-288	877-978-0049
Belgium / België	0-800-100-10	877-978-0049
Brazil / Brasil	0800 890 0288 or 0800-8888-288	877-978-0049
China / 中国	108-888 (Beijing) or 108-11 (rest of China)	877-978-0049
Canada	N/A	877-978-0049
Denmark / Danmark	8001-0010	877-978-0049
France	0800-99-0011 or 0805-701-288	877-978-0049
Germany / Deutschland	0-800-2255-288	877-978-0049
Hong Kong / 香港	800-96-1111 (HK Telephone) or 800-93-2266 (New World Telephone)	877-978-0049
Hungary / Magyarország	06 800-01111	877-978-0049
India / 印度	000-117	877-978-0049
Indonesia / Republik Indonesia	001-801-10	877-978-0049
Italy / Italia	800-172-444	877-978-0049
Japan / 日本 / Nihon	00 539-111 (KDDI); 0034-811-001 (NTT); 00-663-5111 (Softbank)	877-978-0049
Luxembourg	800 2 0111	877-978-0049
Malaysia / 马来西亚	1-800-80-0011	877-978-0049
Mexico / México	01-800-288-2872	877-978-0049
Netherlands (Holland) / Nederland	0800-022-9111	877-978-0049
New Zealand	000-911	877-978-0049
Norway / Norge	800-190-11	877-978-0049
Poland / Polska	0-0-800-111-1111	877-978-0049
Portugal	800-800-128	877-978-0049
Puerto Rico	N/A	877-978-0049
Russia / Россия	363-2400 (Moscow); 8^495-363-2400 (outside Moscow); 363-2400 (St. Petersburg); 8^812-363-2400 (outside St. Petersburg)	877-978-0049
Singapore / 新加坡 / Singapuraf	800-0111-111 (Sing Tel) or 80-0001-0001 (StarHub)	877-978-0049
Spain / España	900-99-00-11	877-978-0049
Sweden / Sverige	020-799-111	877-978-0049
Switzerland / Suisse	0-800-890011	877-978-0049
Thailand / 泰国	1-800-0001-33 or 001-999-111-11	877-978-0049
United States	N/A	877-978-0049

CERTIFICATIONS

I, Peter W. Quigley, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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: November 6, 2019

/s/ Peter W. Quigley
Peter W. Quigley
President and
Chief Executive Officer

CERTIFICATIONS

I, Olivier G. Thiot, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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: November 6, 2019

/s/ Olivier G. Thiot
Olivier G. Thiot
Executive Vice President and
Chief Financial Officer

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

In connection with the Quarterly Report of Kelly Services, Inc. (the "Company") on Form 10-Q for the period ended September 29, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Peter W. Quigley, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

Date: November 6, 2019

/s/ Peter W. Quigley
Peter W. Quigley
President and
Chief Executive Officer

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

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

In connection with the Quarterly Report of Kelly Services, Inc. (the "Company") on Form 10-Q for the period ended September 29, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Olivier G. Thiot, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

Date: November 6, 2019

/s/ Olivier G. Thiot
Olivier G. Thiot
Executive Vice President and
Chief Financial Officer

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