

SPHERION CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited, amounts in thousands, except per share amounts)

	Three Months Ended	
	July 3, 2005	June 25, 2004
Revenue (1)	\$ 476,818	\$ 485,937
Cost of services (2)	371,979	380,977
Gross profit	104,839	104,960
Selling, general and administrative expenses	101,030	97,259
Interest expense	652	1,641
Interest income	(966)	(1,169)
Restructuring charges	(168)	(29)
	100,548	97,702
Earnings from continuing operations before income taxes and discontinued operations	4,291	7,258
Income tax expense	(1,545)	(3,056)
	2,746	4,202
Discontinued operations:		
Loss from discontinued operations (3)	(1,027)	(3,718)
Income tax benefit	36	2,320
Loss from discontinued operations	(991)	(1,398)
Net earnings	\$ 1,755	\$ 2,804
Earnings (loss) per share-Basic:		
Earnings from continuing operations before discontinued operations	\$ 0.04	\$ 0.07
Loss from discontinued operations	(0.02)	(0.02)
	\$ 0.03	\$ 0.05
Earnings (loss) per share-Diluted (4):		
Earnings from continuing operations before discontinued operations	\$ 0.04	\$ 0.07
Loss from discontinued operations	(0.02)	(0.02)
	\$ 0.03	\$ 0.05
Weighted average shares used in computation of earnings (loss) per share:		
Basic	61,802	60,894
Diluted	62,104	62,316

- (1) Includes sales of all company-owned and licensed offices and royalties on sales of franchised offices.
- (2) Cost of services includes temporary employee wages, employment related taxes such as FICA, federal and state unemployment taxes, medical and other insurance for temporary employees, workers' compensation, benefits, billable expenses and other direct costs.
- (3) Includes a pre-tax loss on disposal of \$19 and \$1,146, for the three months ended July 3, 2005 and June 25, 2004, respectively.
- (4) Earnings from continuing operations and net earnings for the three months ended June 25, 2004 was increased by \$14 of net after-tax interest expense on convertible debt for purposes of computing diluted earnings per share.

SPHERION CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited, amounts in thousands, except per share amounts)

	Six Months Ended	
	July 3, 2005	June 25, 2004
Revenue (1)	\$ 982,359	\$ 953,149
Cost of services (2)	772,395	749,302
Gross profit	209,964	203,847
Selling, general and administrative expenses	202,929	193,004
Interest expense	1,451	3,084
Interest income	(1,825)	(2,187)
Restructuring and other charges	1,604	8,855
	204,159	202,756
Earnings from continuing operations before income taxes and discontinued operations	5,805	1,091
Income tax expense	(2,090)	(1,060)
	3,715	31
Discontinued operations:		
Loss from discontinued operations (3)	(3,792)	(10,143)
Income tax benefit	604	4,784
Loss from discontinued operations	(3,188)	(5,359)
Net earnings (loss)	\$ 527	\$ (5,328)
Earnings (loss) per share-Basic:		
Earnings from continuing operations before discontinued operations	\$ 0.06	\$ -
Loss from discontinued operations	(0.05)	(0.09)
	\$ 0.01	\$ (0.09)
Earnings (loss) per share-Diluted:		
Earnings from continuing operations before discontinued operations	\$ 0.06	\$ -
Loss from discontinued operations	(0.05)	(0.09)
	\$ 0.01	\$ (0.09)
Weighted average shares used in computation of earnings (loss) per share:		
Basic	61,665	60,715
Diluted	62,053	61,737

- (1) Includes sales of all company-owned and licensed offices and royalties on sales of franchised offices.
- (2) Cost of services includes temporary employee wages, employment related taxes such as FICA, federal and state unemployment taxes, medical and other insurance for temporary employees, workers' compensation, benefits, billable expenses and other direct costs.
- (3) Includes a pre-tax loss on disposal of \$506 and \$3,088 for the six months ended July 3, 2005 and June 25, 2004, respectively.

SPHERION CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(unaudited, amounts in thousands, except share data)

	<u>July 3, 2005</u>	<u>December 31, 2004</u>
Assets		
Current Assets:		
Cash and cash equivalents	\$ 28,550	\$ 5,154
Receivables, less allowance for doubtful accounts of \$5,771 and \$7,077	281,734	352,606
Deferred tax asset	11,514	19,263
Income tax receivable	3,694	12,363
Insurance deposit	24,915	26,436
Other current assets	19,710	18,885
Assets of discontinued operations	4,903	4,772
Total current assets	<u>375,020</u>	<u>439,479</u>
Goodwill	48,922	48,757
Property and equipment, net of accumulated depreciation of \$112,997 and \$104,111	91,217	97,683
Deferred tax asset	157,872	149,436
Insurance deposit	62,134	66,482
Intangibles and other assets	28,061	28,429
	<u>\$ 763,226</u>	<u>\$ 830,266</u>
Liabilities and Stockholders' Equity		
Current Liabilities:		
Accounts payable and other accrued expenses	\$ 80,236	\$ 108,308
Accrued salaries, wages and payroll taxes	64,228	62,956
Revolving lines of credit	-	32,131
Accrued insurance reserves	32,297	34,135
Accrued income taxes	57,407	57,765
Current portion of long-term debt and other short-term borrowings	10,759	12,398
Accrued restructuring	1,784	2,420
Other current liabilities	8,427	8,050
Liabilities of discontinued operations	1,748	1,488
Total current liabilities	<u>256,886</u>	<u>319,651</u>
Long-term debt, net of current portion	4,608	4,766
Accrued insurance reserves	29,531	28,879
Deferred compensation and other long-term liabilities	28,325	32,678
Total liabilities	<u>319,350</u>	<u>385,974</u>
Stockholders' Equity:		
Preferred stock, par value \$.01 per share; authorized, 2,500,000 shares; none issued or outstanding	-	-
Common stock, par value \$.01 per share; authorized, 200,000,000; issued 65,341,609 shares	653	653
Treasury stock, at cost, 4,292,197 and 4,238,678 shares, respectively	(38,364)	(40,430)
Additional paid-in capital	845,514	847,806
Accumulated deficit	(366,244)	(366,771)
Accumulated other comprehensive income	2,317	3,034
Total stockholders' equity	<u>443,876</u>	<u>444,292</u>
	<u>\$ 763,226</u>	<u>\$ 830,266</u>

SPHERION CORPORATION AND SUBSIDIARIES
RECONCILIATION OF NON-GAAP FINANCIAL INFORMATION
(unaudited, amounts in thousands, except per share amounts)

	Management Guidance Three Months Ended October 2, 2005	Three Months Ended		Six Months Ended	
		July 3, 2005	June 25, 2004 ^{(1), (2)}	July 3, 2005	June 25, 2004 ⁽¹⁾
Adjusted earnings from continuing operations		\$ 2,638	\$ 4,183	\$ 4,742	\$ 5,787
Restructuring and other charges, net of tax expense (benefit) of \$60, \$10, \$(577) and \$(3,099), respectively		108	19	(1,027)	(5,756)
Earnings from continuing operations		<u>2,746</u>	<u>4,202</u>	<u>3,715</u>	<u>31</u>
Loss from discontinued operations		(991)	(1,398)	(3,188)	(5,359)
Net earnings (loss)		<u>\$ 1,755</u>	<u>\$ 2,804</u>	<u>\$ 527</u>	<u>\$ (5,328)</u>
Per share-Diluted amounts (2):					
Adjusted earnings from continuing operations	\$0.04 to \$0.08	\$ 0.04	\$ 0.07	\$ 0.08	\$ 0.09
Restructuring and other charges, net of tax	-	-	-	(0.02)	(0.09)
Earnings from continuing operations	<u>\$0.04 to \$0.08</u>	<u>0.04</u>	<u>0.07</u>	<u>0.06</u>	<u>-</u>
Loss from discontinued operations		(0.02)	(0.02)	(0.05)	(0.09)
Net earnings (loss)		<u>\$ 0.03</u>	<u>\$ 0.05</u>	<u>\$ 0.01</u>	<u>\$ (0.09)</u>
Weighted average shares used in computation of earnings (loss) per share:					
Diluted		62,104	62,316	62,053	61,737

(1) Results from continuing operations for both the three and six months ended June 25, 2004 have been updated for the reclassification of discontinued operations.

(2) Earnings from continuing operations and net earnings for the three months ended June 25, 2004 was increased by \$14 of net after-tax interest expense on convertible debt for purposes of computing diluted earnings per share.

SPHERION CORPORATION AND SUBSIDIARIES
SEGMENT INFORMATION
(unaudited, dollar amounts in thousands)

	Three Months Ended			Six Months Ended	
	July 3, 2005	June 25, 2004	April 3, 2005	July 3, 2005	June 25, 2004
Revenues:					
Staffing Services	\$ 362,384	\$ 383,588	\$ 402,082	\$ 764,466	\$ 757,687
Professional Services	114,434	102,349	103,459	217,893	195,462
Segment revenue	<u>\$ 476,818</u>	<u>\$ 485,937</u>	<u>\$ 505,541</u>	<u>\$ 982,359</u>	<u>\$ 953,149</u>
Gross profit:					
Staffing Services	\$ 67,375	\$ 71,834	\$ 73,419	\$ 140,794	\$ 143,288
Professional Services	37,464	33,126	31,706	69,170	60,559
Segment gross profit	<u>\$ 104,839</u>	<u>\$ 104,960</u>	<u>\$ 105,125</u>	<u>\$ 209,964</u>	<u>\$ 203,847</u>
Segment operating profit:					
Staffing Services	\$ 2,412	\$ 5,723	\$ 3,371	\$ 5,783	\$ 12,437
Professional Services	5,438	7,736	3,524	8,962	10,014
Segment operating profit	<u>7,850</u>	<u>13,459</u>	<u>6,895</u>	<u>14,745</u>	<u>22,451</u>
Unallocated corporate costs	(3,937)	(5,635)	(3,551)	(7,488)	(11,308)
Amortization of intangibles	(104)	(123)	(118)	(222)	(300)
Interest expense	(652)	(1,641)	(799)	(1,451)	(3,084)
Interest income	966	1,169	859	1,825	2,187
Restructuring and other charges	<u>168</u>	<u>29</u>	<u>(1,772)</u>	<u>(1,604)</u>	<u>(8,855)</u>
Earnings from continuing operations before income taxes and discontinued operations	<u>\$ 4,291</u>	<u>\$ 7,258</u>	<u>\$ 1,514</u>	<u>\$ 5,805</u>	<u>\$ 1,091</u>
MEMO:					
Gross profit margin:					
Staffing Services	18.6%	18.7%	18.3%	18.4%	18.9%
Professional Services	32.7%	32.4%	30.6%	31.7%	31.0%
Total Spherion	22.0%	21.6%	20.8%	21.4%	21.4%
Segment operating profit margin:					
Staffing Services	0.7%	1.5%	0.8%	0.8%	1.6%
Professional Services	4.8%	7.6%	3.4%	4.1%	5.1%
Total Spherion	1.6%	2.8%	1.4%	1.5%	2.4%
Supplemental Cash Flow Information:					
Operating cash flow	\$ 33,812	\$ 14,899	\$ 20,294	\$ 54,106	\$ 17,337
Capital expenditures	\$ 3,263	\$ 3,458	\$ 1,190	\$ 4,453	\$ 7,977
Depreciation and amortization	\$ 5,540	\$ 7,144	\$ 5,578	\$ 11,118	\$ 15,655
DSO	55	57	57	55	57

SPHERION CORPORATION AND SUBSIDIARIES
SUPPLEMENTAL FINANCIAL INFORMATION
(unaudited, dollar amounts in thousands)

	Three Months Ended			Six Months Ended	
	July 3, 2005	June 25, 2004	April 3, 2005	July 3, 2005	June 25, 2004
Staffing Services					
Revenue by Skill:					
Clerical	\$ 220,277	\$ 241,834	\$ 259,619	\$ 479,896	\$ 488,450
Light Industrial	142,107	141,754	142,463	284,570	269,237
Segment Revenue	<u>\$ 362,384</u>	<u>\$ 383,588</u>	<u>\$ 402,082</u>	<u>\$ 764,466</u>	<u>\$ 757,687</u>
Revenue by Service:					
Temporary Staffing	\$ 316,090	\$ 304,395	\$ 332,903	\$ 648,993	\$ 590,106
Managed Services	42,326	75,464	65,035	107,361	160,136
Permanent Placement	3,968	3,729	4,144	8,112	7,445
Segment Revenue	<u>\$ 362,384</u>	<u>\$ 383,588</u>	<u>\$ 402,082</u>	<u>\$ 764,466</u>	<u>\$ 757,687</u>
Gross Profit Margin by Service: (As % of Applicable Revenue)					
Temporary Staffing	16.6%	15.9%	16.1%	16.4%	15.5%
Managed Services	25.8%	26.3%	24.0%	24.8%	27.8%
Permanent Placement	100.0%	100.0%	100.0%	100.0%	100.0%
Total Staffing Services	18.6%	18.7%	18.3%	18.4%	18.9%
Professional Services					
Revenue by Skill:					
Information Technology	\$ 73,009	\$ 67,552	\$ 65,593	\$ 138,602	\$ 131,272
Finance & Accounting	26,320	23,716	24,209	50,529	43,560
Other	15,105	11,081	13,657	28,762	20,630
Segment Revenue	<u>\$ 114,434</u>	<u>\$ 102,349</u>	<u>\$ 103,459</u>	<u>\$ 217,893</u>	<u>\$ 195,462</u>
Revenue by Service:					
Temporary Staffing	\$ 100,993	\$ 91,880	\$ 93,140	\$ 194,133	\$ 176,421
Permanent Placement	13,441	10,469	10,319	23,760	19,041
Segment Revenue	<u>\$ 114,434</u>	<u>\$ 102,349</u>	<u>\$ 103,459</u>	<u>\$ 217,893</u>	<u>\$ 195,462</u>
Gross Profit Margin by Service: (As % of Applicable Revenue)					
Temporary Staffing	23.8%	24.7%	23.0%	23.4%	23.5%
Permanent Placement	100.0%	100.0%	100.0%	100.0%	100.0%
Total Professional Services	32.7%	32.4%	30.6%	31.7%	31.0%