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

FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934 For the
fiscal year ended January 2, 2000

OR

[] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934 (NO FEE REQUIRED)
For the transition period from _____ to _____

Commission file number 0-1088

KELLY SERVICES, INC.

(Exact Name of Registrant as specified in its Charter)

Delaware

38-1510762

(State of Incorporation)

(IRS Employer Identification Number)

999 West Big Beaver Road, Troy, Michigan

48084

(Address of Principal Executive Office)

(Zip Code)

(248) 362-4444

(Registrant's Telephone Number, Including Area Code)

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

Securities Registered Pursuant to Section 12(g) of the Act:

Title of each class	Name of each exchange on which registered
Class A Common	NASDAQ/NMS
Class B Common	NASDAQ/NMS

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

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

The aggregate market value of the Class B common stock, par value \$1.00, the only class of the registrant's securities with voting rights, held by non-affiliates of the registrant on March 1, 2000, was \$6,719,520 based upon the closing price of \$23.50 per share.

Registrant had 32,180,723 shares of Class A and 3,502,359 of Class B common stock, par value \$1.00, outstanding as of March 17, 2000.

Documents Incorporated by Reference

The proxy statement of the registrant with respect to the 2000 Annual Meeting of Stockholders is incorporated by reference in Part III.

Dated: March 28, 2000

PART I

ITEM 1. DESCRIPTION OF BUSINESS.

(a) General Development of Business. Registrant, a successor to the

business established by William R. Kelly in 1946, was incorporated under the laws of Delaware on August 27, 1952. Throughout its existence, registrant has been engaged in the business of providing staffing services to customers. During the last fiscal year, registrant continued to provide staffing services to a diversified group of customers.

(b) Financial Information about Industry Segments. The Company divides its operations into three segments: (1) U.S. Commercial Staffing, (2) Professional, Technical and Staffing Alternatives (PTSA) and (3) International. PTSA includes the following: Kelly Scientific Resources, Kelly Healthcare Resources, Kelly Assisted Living Services, Inc., Automotive Services Group, Kelly Engineering Resources, Kelly Information Technology Resources, Kelly Law Registry (formerly The Law Registry), Kelly Financial Resources, National Payroll Services, Kelly Management Services, Kelly Merchandising Resources, Kelly Staff Leasing, Inc. and General Contractor Services. The financial information concerning registrant is included in Item 8 in Part II of this filing.

(c) Narrative Description of Business.

(i) Principal Services Rendered. Registrant, and its subsidiaries, which are service organizations, provide staffing services to a diversified group of customers through offices located in major cities of North America (United States, Canada, Puerto Rico, and Mexico), Europe (Belgium, Denmark, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, Norway, Russia, Spain, Sweden, Switzerland and the United Kingdom) and the Pacific Rim (Australia and New Zealand). These services are generally furnished under the name of Kelly Services. U.S. Commercial Staffing includes office services, merchandising, electronic assembly, light industrial, call centers and educational staffing services. PTSA includes technical skills related to engineering, information technology, scientific, accounting and finance, healthcare and management services. Staff leasing services are provided under the name of Kelly Staff Leasing, Inc., a wholly owned subsidiary of registrant. Home care services to those who need help with their daily living needs and personal care are furnished under the name of Kelly Assisted Living Services, Inc., which is a wholly owned subsidiary of registrant. Legal staffing services are provided under the name of Kelly Law Registry (formerly The Law Registry). Registrant performs these staffing services through its employees by assigning them to work on the premises of registrant's customers.

The staffing services furnished by registrant afford economies and flexibility in meeting uneven or peak work loads caused by such predictable factors as vacations, inventories, month-end activities, special projects or new promotions and such non-predictable factors as illnesses or emergencies. When work peaks occur which cannot be handled by the customer's normal staff, the customer can temporarily supplement regular personnel by the use of registrant's services. The cost and inconvenience to the customer of hiring additional employees, including advertising, interviewing, screening, testing and training are eliminated. Also, recordkeeping is simplified because the customer pays an hourly rate, based on hours of service furnished by registrant.

Registrant serves a wide cross-section of customers from industry, commerce, the professions, government, and individuals. During recent years approximately 200,000 customers, including the largest corporations in the world, use registrant's services. There have been no significant changes in the services rendered or in the markets or methods of distribution since the beginning of registrant's fiscal year.

Registrant operates through approximately 1,800 domestic and foreign offices located in North America, Europe and the Pacific Rim. Each office provides the services of one or more of the divisions or subsidiaries and are operated directly by the registrant.

(ii) New Services. There are no new industry segments that the registrant is planning to enter or new service areas that will require a material investment of assets.

(iii) Raw Materials. Registrant is involved in a service business and raw materials are nonexistent in the business.

(iv) Service Marks. Registrant is the owner of numerous service marks, which are registered with the United States Patent and Trade Mark Office and in foreign countries.

(v) Seasonal Business Implications. Registrant's business is not

seasonal.

(vi) Working Capital. Registrant believes there are no unusual or special working capital requirements in the staffing services industry.

(vii) Customers. The business of registrant and its subsidiaries is not dependent upon either a single customer or a limited number of customers.

(viii) Backlog. Backlog of orders is not material to the business of registrant.

(ix) Government Contracts. Although registrant conducts business under various government contracts, that portion of registrant's business is not significant.

(x) Competition. Registrant is one of the largest global suppliers of staffing services. In the United States, there are less than 100 national competitors, and approximately 20,000 organizations locally compete in varying degrees in different localities where registrant operates local offices. In foreign markets there are several similar levels of global, national and local competitors. The most significant competitive factors worldwide are geographic coverage, breadth of service, service quality and price.

(xi) Research Activities. Registrant's expenditure for research and the number of people involved are not material.

(xii) Environmental Matters. Registrant is involved in a service business and is not generally affected by federal, state and local provisions regulating the discharge of materials into the environment.

(xiii) Employees. Registrant and subsidiaries employ on a full time basis approximately 1,100 persons at its headquarters in Troy, Michigan, and approximately 6,300 persons in branch offices operated directly by registrant. Registrant employed in the last fiscal year approximately 750,000 men and women for temporary periods. As the employer of its temporary work force, registrant is responsible for and pays Social Security (or its equivalent outside the United States), Medicare and health care taxes, workers' compensation, unemployment compensation taxes, liability insurance and other similar costs, and is responsible for payroll deductions of Social Security, Medicare and income taxes. Although the services may be provided in the office of the registrant's customer, registrant remains the employer of its temporary employees with responsibility for their assignment and reassignment.

(d) Foreign Operations. For information regarding sales, earnings from operations and long-lived assets by domestic and foreign operations, reference is made to the information presented in the Segment Disclosures note to the consolidated financial statements presented in Item 8 in Part II of this report.

ITEM 2. PROPERTIES.

Registrant owns the premises in Troy, Michigan, from which its headquarters, subsidiaries and divisional offices are presently operated. Registrant purchased the original headquarters building in Troy, Michigan, in 1977 and has expanded operations into adjacent buildings that were purchased in 1991 and 1997. The combined usable floor space for the headquarters complex approximates 230,000 square feet, plus leased space nearby of 93,000 square feet. The buildings are in good condition, are considered to be adequate for the uses to which they are being put and are in regular use. In addition, registrant owns vacant land in Troy and northern Oakland County, Michigan, for future expansion. Registrant's branch offices are conducted from premises which are leased. A majority of the leases are for fixed terms, from one to five years. Registrant owns virtually all office furniture and equipment used in its headquarters building and branch offices.

ITEM 3. LEGAL PROCEEDINGS.

Claims against the registrant are not considered by management and counsel to be material.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

There were no matters submitted to a vote of security holders in the fourth quarter of 1999.

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS.

Kelly Services' stock is traded over-the-counter in the NASDAQ National Market System (NMS). The high and low selling prices for the Class A common stock and Class B common stock as quoted by the National Association of Securities Dealers, Inc. and the dividends paid on the common stock for each quarterly period in the last two fiscal years are reported below:

	Per share amounts (in dollars)				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
1999					
Class A common					
High	\$32.50	\$32.50	\$31.63	\$30.75	\$32.50
Low	24.13	25.00	25.38	22.88	22.88
Class B common					
High	29.38	29.75	30.88	29.88	30.88
Low	28.25	26.25	23.75	24.00	23.75
Dividends .....	.23	.24	.24	.24	.95
1998					
Class A common					
High	\$37.75	\$38.50	\$35.63	\$35.13	\$38.50
Low	29.25	30.25	25.63	23.75	23.75
Class B common					
High	58.75	38.00	36.25	33.50	58.75
Low	29.50	34.00	29.00	28.75	28.75
Dividends .....	.22	.23	.23	.23	.91

The number of holders of record of the Class A and Class B common stock, par value \$1.00, of registrant were 947 and 210, respectively, as of March 17, 2000.

ITEM 6. SELECTED FINANCIAL DATA.

The following table summarizes selected financial information of Kelly Services, Inc. and its subsidiaries for each of the most recent six fiscal years. This table should be read in conjunction with other financial information of the registrant including "Management's Discussion and Analysis of Financial Condition and Results of Operations" and financial statements included elsewhere herein.

(In millions except per share amounts)	(1)					
	1999	1998	1997	1996	1995	1994
Sales of services	\$ 4,269.1	\$ 4,092.3	\$ 3,852.9	\$ 3,302.3	\$ 2,689.8	\$ 2,362.6
Earnings before taxes	143.7	143.6	137.0	122.9	113.3	98.5
Net earnings	85.1	84.7	80.8	73.0	69.5	61.1
Per share data:						
Basic earnings per share	2.37	2.24	2.12	1.92	1.83	1.61
Diluted earnings per share ..	2.36	2.23	2.12	1.91	1.83	1.61
Dividends per share						
Classes A and B common	0.95	0.91	0.87	0.83	0.78	0.70
Working capital	284.9	293.4	363.6	336.6	316.0	315.8
Total assets	1,033.7	964.2	967.2	838.9	718.7	642.4

(1) Fiscal year included 53 weeks.

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

General

Kelly Services' fiscal 1999, a normal 52-week year, contained four 13-week quarters. However, fiscal 1998, a 53-week year, included three 13-week quarters and a 14-week fourth quarter. To provide a better understanding of operating results, sales comparisons are provided two ways: First, 1999 actual is compared to the audited 53-week 1998, and second, as supplementary disclosure, 1999 actual is compared to the unaudited, adjusted 52-week 1998.

Results of Operations
1999 versus 1998

Sales for the 52-week fiscal year reached a record \$4.269 billion in 1999, an increase of 4.3% compared to the \$4.092 billion for the 53-week fiscal year in 1998. Sales increased 5.6% on an adjusted basis versus the 52-week 1998 period. Sales in the U.S. Commercial Staffing segment declined slightly by 0.7% compared to the 53-week 1998, while Professional, Technical and Staffing Alternatives (PTSA) sales grew by 8.5% compared to last year. International sales grew by 12.4% as compared to 1998. International sales represented 25% of total Company sales in 1999, as compared to 24% in 1998.

The 1999 gross profit rate averaged 17.9%, which was consistent with the 17.9% rate earned in 1998.

Selling, general and administrative expenses expressed as a percentage of sales were 14.6% as compared to 14.4% last year. The increase in expenses as a percentage of sales is attributable to the Year 2000 Project expenses and increased depreciation associated with the deployment of the Oracle finance and administration systems, and proprietary front office branch automation technology.

Earnings from operations totaled \$144.0 million, a 2.4% increase from the \$140.6 million reported for the 53-week 1998. Earnings were 3.4% of sales as compared to 3.4% for the 53-week period in 1998.

Net interest expense was \$0.2 million compared to last year's net interest income of \$3.0 million. The decrease is attributable to lower cash balances than a year ago, as a result of a 30% increase in our capital expenditures, and \$76 million utilized in the share repurchase program, which was completed midway through the fourth quarter of 1998.

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The effective income tax rate was 40.8%, slightly lower than last year's 41.0% rate, reflecting reductions in the Company's consolidated state and local tax rate.

Net earnings totaled a record \$85.1 million in 1999, a 0.5% increase over the 53-week 1998. The rate of return on sales was 2.0%, compared with last year's 2.1% rate. Basic earnings per share were \$2.37 or 5.8% over last year. Diluted earnings per share for 1999 were \$2.36, a 5.8% increase compared to \$2.23 for the 53-week 1998.

Results of Operations
1998 versus 1997

Sales for the 53-week fiscal year reached \$4.092 billion in 1998, an increase of 6.2% compared to the \$3.853 billion for the 52-week fiscal year in 1997. On an adjusted 52-week basis for 1998, sales increased 4.9% over 1997. Sales in the U.S. Commercial Staffing segment grew by 2.8%, while Professional, Technical and Staffing Alternatives (PTSA) sales grew by 8.4% compared to last year. International sales grew by 12.9% as compared to 1997. International sales represented 24% of total Company sales in 1998, as compared to 22% in 1997.

The 1998 gross profit rate averaged 17.9% versus 17.7% in 1997. The improvement was principally related to an increased mix of fee-based permanent placement income and an increase in the share of our international business as a percentage of total revenue. The international component carries a higher average gross profit rate than U.S. commercial staffing.

Selling, general and administrative expenses expressed as a percentage of sales were 14.4% as compared to 14.2% in 1997. The rate of growth of expenses principally reflects increased spending for the Year 2000 Project

and information technology programs.

Earnings from operations totaled \$140.6 million, a 3.6% increase from the \$135.8 million reported in 1997. Earnings were 3.4% of sales as compared to 3.5% in 1997.

Net interest income was \$3.0 million, a 147% increase versus 1997. The increase in investment income related to an improved cash and investment position as compared to 1997.

The effective income tax rate was 41.0% in both 1998 and 1997.

Net earnings totaled \$84.7 million in 1998, a 4.9% increase over 1997. The rate of return on sales was 2.1% in both 1998 and 1997. Basic earnings per share were \$2.24 or a 5.7% increase over 1997. Diluted earnings per share were \$2.23 or 5.2% higher than 1997.

Liquidity and Capital Resources

Cash and short-term investments totaled \$60 million at the end of 1999, down from the \$72 million at year-end 1998. Year-end cash was slightly lower than last year, principally as a result of the increased accounts receivable and the 30% increase in our capital expenditure program.

Accounts receivable totaled \$602 million at year end as compared to \$585 million at year-end 1998. Strong accounts receivable management during the year reduced global days sales outstanding to 51 days, down from 53 days in 1998.

Short-term debt totaled \$47 million, which is virtually unchanged from \$48 million at year-end 1998. All short-term borrowings are foreign currency denominated and support the growth of the Company's international working capital position.

The Company's working capital position was \$285 million at the end of 1999, a decrease of \$9 million from 1998 and \$79 million from 1997. The current ratio was 1.6 in 1999, 1.7 in 1998 and 1.9 in 1997. The lower ratio in 1999 and 1998 as compared to 1997 was principally a result of the cash utilized in the share repurchase program, as well as the growth of the Company's capital expenditure program.

Assets totaled \$1.034 billion in 1999 compared to \$964 million in 1998. In 1997, assets totaled \$967 million. The return on average assets was 8.5% in 1999 and 8.8% in 1998. In 1997 the return was 8.9%.

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Stockholders' equity was \$582 million in 1999, which represents 8.3% growth over 1998. In 1998 stockholders' equity was 3.9% below 1997. The return on average stockholders' equity was 15.2% in 1999, 15.4% in 1998 and 15.0% in 1997. Dividends paid per common share were \$.95 in 1999, an increase of 4.4% over 1998 dividends of \$.91 per share. Dividends in 1997 were \$.87 per share.

The Company's financial position remains very strong. The Company continues to carry no long-term debt and expects to meet its growth requirements principally through cash flow from operations.

Year 2000 Systems Update

In 1995, the Company embarked upon a global Year 2000 Project. The project scope included hardware, software and embedded chip technology. A formal Project Office was established with complete executive sponsorship and funding in February 1997. This initiated a global business system strategy that included a wide-scale Oracle implementation of business and financial systems, plus major enhancements to branch automation systems. Included in these initiatives is the remediation of Year 2000 noncompliant systems.

The Company's ability to deliver services and products to its customers on a timely basis has not been impacted by any problems arising as a result of the Year 2000 issues. To date, the Company experienced no failures of any mission critical applications, nor were there any reports of any significant interruptions to the Company's business operations as a result of the failure of its own computer systems or those of a third party.

Year 2000 Costs

Total cost of the Year 2000 remediation project was \$20.6 million, slightly below our original estimate of \$21 million. The total amount incurred for 1999 approximated \$11 million. Related expenses for 1998 were \$8

million, and \$1 million was expended in 1997.

The total cost of the Year 2000 project is expected to be at least somewhat offset by the benefits to be realized by the Company. These include: enhanced functionality at the branch level; a worldwide inventory of information technology and systems; a high-level documentation of business processes used by strategic business units; rationalization and standardization of diverse information systems; upgrades and standardization of desktop computing; upgrade of wide area network to remote business units; improved software quality assurance; and clean-up and documentation of older program code.

Market Risk-Sensitive Instruments and Positions

The market risk inherent in the Company's market risk-sensitive instruments and positions is the potential loss arising from adverse changes in foreign currency exchange rates and interest rates. Foreign currency exchange risk is mitigated by the usage of the Company's multi-currency line of credit. This credit facility can be used to borrow in the local currencies that can mitigate the exchange rate risk resulting from foreign currency-denominated assets fluctuating in relation to the U.S. dollar.

The Company's holdings and positions in market risk-sensitive instruments do not subject the Company to material risk exposures.

Adoption of the Euro

A segment of the global business system implementation is devoted to changes necessary to deal with the introduction of a European single currency (the Euro). The transition period for implementation is January 1, 1999 through January 1, 2002.

The Company does not expect that introduction and use of the Euro will result in any material increase in costs.

Forward-Looking Statements

Except for the historical statements and discussions contained herein, statements contained in this report relate to future events that are subject to risks and uncertainties, such as: competition, changing market and economic conditions, currency fluctuations, changes in laws and regulations, the Company's ability to effectively implement and manage its information technology programs and other factors discussed in the report and in the Company's filings with the Securities and Exchange Commission. Actual results may differ materially from any projections contained herein.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

The financial statements and supplementary data required by this Item are set in the accompanying index on page 11 of this filing and are presented in pages 12-28.

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

None.

PART III

Information required by Part III with respect to Directors and Executive Officers of the registrant, except as set forth under the title "Executive Officers of the Registrant" which is included on page 8, (Item 10), Executive Compensation (Item 11), Security Ownership of Certain Beneficial Owners and Management (Item 12), and Certain Relationships and Related Transactions (Item 13) is to be included in a definitive proxy statement filed by the registrant not later than 120 days after the close of its fiscal year and such proxy statement, when filed, is incorporated herein by reference.

ITEM 10. EXECUTIVE OFFICERS OF THE REGISTRANT.

Name/Office	Age	Served as an Officer Since (1)	Business Experience During Last 5 Years
Terence E. Adderley	66	1961	Served as officer of registrant.

Chairman, President and
Chief Executive Officer

Carl T. Camden Executive Vice President	45	1995	Served as officer of registrant since April, 1995. From 1993 served as Senior Vice President at Key Corp., the parent of Key Bank and Society Bank Groups.
Michael L. Durik Senior Vice President	51	1999	Served as officer of registrant since July, 1999. From 1993 was owner of MLD Management, an independent consulting firm.
William K. Gerber Executive Vice President and Chief Financial Officer	46	1998	Served as officer of registrant since April, 1998. Prior thereto, served as Vice President of Finance at The Limited, Inc.
Arlene Grimsley Senior Vice President	52	1994	Served as officer of registrant.
George M. Reardon Senior Vice President, General Counsel and Secretary	52	1998	Served as officer of registrant since June, 1998. From 1994, served in private practice in Houston, Texas.
Tommi A. White Executive Vice President	49	1993	Served as officer of registrant.

(1) Each officer serves continuously until termination of employment or removal by the Board of Directors.

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PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K.

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

(1) Financial statements -

Report of Independent Accountants

Statements of Earnings for the three fiscal years ended January 2, 2000

Statements of Cash Flows for the three fiscal years ended January 2, 2000

Balance Sheets at January 2, 2000, January 3, 1999 and December 28, 1997

Statements of Stockholders' Equity for the three fiscal years ended January 2, 2000

Notes to Financial Statements

(2) Financial Statement Schedule -

For the three fiscal years ended January 2, 2000:

Schedule II - Valuation Reserves

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

(3) The Exhibits are listed in the Index to Exhibits Required by Item 601 of Regulation S-K at Item (c) below and included at page 29 which is incorporated herein by reference.

No additional financial information has been provided for the registrant as an individual company since the total amount of net assets of subsidiaries which are restricted as to transfer to the registrant through intercompany loans, advances or cash dividends does not exceed 25 percent of total consolidated net assets at January 2, 2000.

(b) No reports on Form 8-K were filed during the last quarter of the period covered by this report.

(c) The Index to Exhibits and required Exhibits are included following the Financial Statement Schedule beginning at page 29 of this filing.

(d) The Index to Financial Statements and Supplemental Schedule is included following the signatures beginning at page 11 of this filing.

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SIGNATURES

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

Date: March 28, 2000

KELLY SERVICES, INC.

Registrant

By /s/ W. K. Gerber

W. K. Gerber
Executive Vice President and
Chief Financial Officer

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

Date: March 28, 2000

* T. E. Adderley

T. E. Adderley
Chairman, President, Chief Executive
Officer and Director
(Principal Executive Officer)

Date: March 28, 2000

* C. V. Fricke

C. V. Fricke
Director

Date: March 28, 2000

* M. A. Fay, O.P.

M. A. Fay, O.P.
Director

Date: March 28, 2000

* V. G. Istock

V. G. Istock
Director

Date: March 28, 2000

* B. J. White

B. J. White
Director

Date: March 28, 2000

/s/ W. K. Gerber

W. K. Gerber
Executive Vice President and
Chief Financial Officer
(Principal Financial Officer and
Principal Accounting Officer)

Date: March 28, 2000

*By /s/ W. K. Gerber

W. K. Gerber
Attorney-in-Fact

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INDEX TO FINANCIAL STATEMENTS AND
SUPPLEMENTAL SCHEDULE

Kelly Services, Inc. and Subsidiaries

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REPORT OF INDEPENDENT ACCOUNTANTS

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

In our opinion, the accompanying financial statements listed in the index appearing under Item 14(a)1 on page 11 present fairly, in all material respects, the financial position of Kelly Services, Inc. and its subsidiaries at January 2, 2000, January 3, 1999 and December 28, 1997, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States. In addition, in our opinion, the financial statement schedule listed in the index appearing under Item 14(a)2 on page 11 presents fairly, in all material respects, the information set forth therein when read in conjunction with the related financial statements. These financial statements and financial statement schedule are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Detroit, Michigan
January 27, 2000

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STATEMENTS OF EARNINGS
Kelly Services, Inc. and Subsidiaries

	1999	(1) 1998	1997
	----	----	----
	(In thousands of dollars except per share items)		
Sales of services	\$ 4,269,113	\$ 4,092,251	\$ 3,852,935

Cost of services	3,503,052	3,360,976	3,171,589
	-----	-----	-----
Gross profit	766,061	731,275	681,346
Selling, general and administrative expenses	622,110	590,659	545,582
	-----	-----	-----
Earnings from operations	143,951	140,616	135,764
Interest (expense) income, net..	(241)	2,999	1,216
	-----	-----	-----
Earnings before income taxes ...	143,710	143,615	136,980
Income taxes	58,600	58,900	56,200
	-----	-----	-----
Net earnings	\$ 85,110	\$ 84,715	\$ 80,780
	=====	=====	=====
Basic earnings per share	\$ 2.37	\$ 2.24	\$ 2.12
Diluted earnings per share	\$ 2.36	\$ 2.23	\$ 2.12
Dividends per share	\$.95	\$.91	\$.87
Average shares outstanding (thousands):			
Basic	35,854	37,745	38,099
Diluted	36,030	37,945	38,191

See accompanying Notes to Financial Statements.

(1) Fiscal year included 53 weeks.

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STATEMENTS OF CASH FLOWS
Kelly Services, Inc. and Subsidiaries

	1999	(1) 1998	1997
	----	----	----
	(In thousands of dollars)		
Cash flows from operating activities:			
Net earnings	\$ 85,110	\$ 84,715	\$ 80,780
Noncash adjustments:			
Depreciation and amortization	36,238	28,865	28,341
Changes in certain working capital components	(6,923)	2,239	38,751
	-----	-----	-----
Net cash from operating activities	114,425	115,819	147,872
Cash flows from investing activities:			
Capital expenditures	(76,696)	(59,089)	(39,710)
Short-term investments	6,051	55,232	(39,266)
Increase in intangibles and other assets	(10,872)	(11,133)	(7,168)
Acquisition of companies, net of cash received	(5,557)	(3,385)	(1,336)
	-----	-----	-----
Net cash from investing activities	(87,074)	(18,375)	(87,480)
Cash flows from financing activities:			
(Decrease) increase in short-term borrowings..	(419)	(7,329)	13,342
Dividend payments	(34,041)	(34,237)	(33,150)
Exercise of stock options, restricted stock awards and other	1,893	3,180	2,698
Purchase of treasury stock	(551)	(75,949)	--
	-----	-----	-----
Net cash from financing activities	(33,118)	(114,335)	(17,110)

Net change in cash and equivalents	(5,767)	(16,891)	43,282
Cash and equivalents at beginning of year	59,799	76,690	33,408
	-----	-----	-----
Cash and equivalents at end of year	\$ 54,032	\$ 59,799	\$ 76,690
	=====	=====	=====

See accompanying Notes to Financial Statements.

(1) Fiscal year included 53 weeks.

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BALANCE SHEETS
Kelly Services, Inc. and Subsidiaries

	1999	1998	1997
	----	----	----
(In thousands of dollars)			
ASSETS			
Current Assets:			
Cash and equivalents	\$ 54,032	\$ 59,799	\$ 76,690
Short-term investments	6,018	12,069	67,301
Accounts receivable, less allowances of \$13,575, \$13,035 and \$12,375, respectively	602,485	584,653	572,134
Prepaid expenses and other current assets	22,801	15,012	12,892
Deferred taxes	50,832	48,343	41,955
	-----	-----	-----
Total current assets	736,168	719,876	770,972
Property and Equipment:			
Land and buildings	49,458	44,135	44,405
Equipment, furniture and leasehold improvements	231,654	179,707	130,472
Accumulated depreciation	(94,112)	(77,491)	(62,144)
	-----	-----	-----
Total property and equipment	187,000	146,351	112,733
Intangibles and Other Assets	110,523	98,020	83,524
	-----	-----	-----
Total Assets	\$1,033,691	\$ 964,247	\$ 967,229
	=====	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current Liabilities:			
Short-term borrowings	\$ 47,210	\$ 47,629	\$ 54,958
Accounts payable	73,516	79,089	60,408
Payroll and related taxes	215,706	195,670	197,092
Accrued insurance	65,881	66,830	61,077
Income and other taxes	49,005	37,265	33,865
	-----	-----	-----
Total current liabilities	451,318	426,483	407,400
Stockholders' Equity:			
Capital stock, \$1 par value			
Class A common stock, shares issued 36,602,210 in 1999, 36,540,770 in 1998 and 36,537,584 in 1997	36,602	36,541	36,538
Class B common stock, shares issued 3,513,656 in 1999, 3,575,096 in 1998 and 3,578,282 in 1997	3,514	3,575	3,578
Treasury stock, at cost			
Class A common stock, 4,234,524 shares in 1999, 4,301,321 in 1998 and 1,947,156 in 1997	(80,538)	(81,669)	(6,029)
Class B common stock, 7,767 shares in 1999 and 1998 and 5,830 in 1997	(248)	(248)	(185)
Paid-in capital	15,761	14,844	10,980

Earnings invested in the business	623,564	572,517	522,039
Accumulated foreign currency adjustments	(16,282)	(7,796)	(7,092)
	-----	-----	-----
Total stockholders' equity	582,373	537,764	559,829
	-----	-----	-----
Total Liabilities and Stockholders' Equity	\$1,033,691	\$ 964,247	\$ 967,229
	=====	=====	=====

See accompanying Notes to Financial Statements.

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STATEMENTS OF STOCKHOLDERS' EQUITY
Kelly Services, Inc. and Subsidiaries

	1999	(1) 1998	1997
	----	----	----
	(In thousands of dollars)		
Capital Stock			
Class A common stock			
Balance at beginning of year	\$ 36,541	\$ 36,538	\$ 36,527
Conversions from Class B	61	3	11
	-----	-----	-----
Balance at end of year	36,602	36,541	36,538
Class B common stock			
Balance at beginning of year	3,575	3,578	3,589
Conversions to Class A	(61)	(3)	(11)
	-----	-----	-----
Balance at end of year	3,514	3,575	3,578
Treasury Stock			
Class A common stock			
Balance at beginning of year	(81,669)	(6,029)	(6,012)
Exercise of stock options, restricted stock awards and other	1,438	144	(17)
Treasury stock issued for acquisition	244	102	--
Purchase of treasury stock	(551)	(75,886)	--
	-----	-----	-----
Balance at end of year	(80,538)	(81,669)	(6,029)
Class B common stock			
Balance at beginning of year	(248)	(185)	(185)
Purchase of treasury stock	--	(63)	--
	-----	-----	-----
Balance at end of year	(248)	(248)	(185)
Paid-in Capital			
Balance at beginning of year	14,844	10,980	8,265
Exercise of stock options, restricted stock awards and other	808	3,036	2,715
Treasury stock issued for acquisition	109	828	--
	-----	-----	-----
Balance at end of year	15,761	14,844	10,980
Earnings Invested in the Business			
Balance at beginning of year	572,517	522,039	474,409
Net earnings	85,110	84,715	80,780
Dividends	(34,063)	(34,237)	(33,150)
	-----	-----	-----
Balance at end of year	623,564	572,517	522,039
Accumulated Foreign Currency Adjustments			
Balance at beginning of year	(7,796)	(7,092)	306
Equity adjustment for foreign currency ...	(8,486)	(704)	(7,398)
	-----	-----	-----
Balance at end of year	(16,282)	(7,796)	(7,092)
	-----	-----	-----
Stockholders' Equity at end of year	\$ 582,373	\$ 537,764	\$ 559,829

Comprehensive Income			
Net earnings	\$ 85,110	\$ 84,715	\$ 80,780
Other comprehensive income - Foreign currency adjustments	(8,486)	(704)	(7,398)
Comprehensive Income	\$ 76,624	\$ 84,011	\$ 73,382

See accompanying Notes to Financial Statements.

(1) Fiscal year included 53 weeks.

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NOTES TO FINANCIAL STATEMENTS
Kelly Services, Inc. and Subsidiaries
(In thousands of dollars except share and per share items)

1. Summary of Significant Accounting Policies

The Company's fiscal year ends on the Sunday nearest to December 31. The three most recent years ended on January 2, 2000 (1999), January 3, 1999 (1998) and December 28, 1997 (1997).

The financial statements consolidate the accounts and operations of the Company and its subsidiaries, all of which are wholly owned, after elimination of all intercompany accounts and transactions.

The Company divides its operations into three segments: (1) U.S. Commercial Staffing, (2) Professional, Technical and Staffing Alternatives and (3) International. The accounts of the Company's foreign operations are translated at appropriate rates of exchange. Revenues, costs and expenses of foreign subsidiaries are translated to U.S. dollars at average-period exchange rates. Assets and liabilities of foreign subsidiaries are translated to U.S. dollars at year-end exchange rates with the effects of these translation adjustments being reported as a separate component of accumulated other comprehensive income in stockholders' equity.

Foreign operations are conducted in Australia, Belgium, Canada, Denmark, France, Germany, Ireland, Italy, Luxembourg, Mexico, the Netherlands, New Zealand, Norway, Puerto Rico, Russia, Spain, Sweden, Switzerland and the United Kingdom. Refer to the Segment Disclosures footnote for additional information.

Revenue from sales of services is recognized as services are provided by the temporary, contract or leased employees. Revenue from permanent placement services is recognized at the time the permanent placement candidate begins full-time employment.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Actual results could differ from those estimates.

Certain prior year amounts have been reclassified to conform with the current presentation.

2. Current Assets

Cash and equivalents are stated at cost, which approximates market. Included are highly liquid debt instruments with original maturities of three months or less.

Short-term investments are debt instruments having original maturities of more than three months and are classified as available for sale. Of these investments, federal, state and local government obligations comprised approximately 60% in 1999, 80% in 1998 and 70% in 1997. Short-term investments due within one year totaled \$5,800 in 1999 and \$64,000 in 1997, with the balance due within two years. The entire short-term investments balance in 1998 was due within one year. The difference between carrying amounts and market was not material at January 2, 2000, January 3, 1999 and December 28, 1997.

Interest income was \$2,272, \$6,206 and \$4,390, respectively, for the years 1999, 1998 and 1997.

NOTES TO FINANCIAL STATEMENTS (continued)
Kelly Services, Inc. and Subsidiaries
(In thousands of dollars except share and per share items)

3. Supplemental Cash Flow Information

Changes in certain working capital components, as disclosed in the statements of cash flows, for the years 1999, 1998 and 1997 were as follows:

	1999 ----	1998 ----	1997 ----
Increase in accounts receivable	\$ (26,972)	\$ (12,712)	\$ (27,444)
Increase in prepaid expenses and other current assets	(9,138)	(2,277)	(1,499)
Increase in deferred taxes	(2,655)	(6,389)	(11,732)
Increase (decrease) in accounts payable	(3,059)	16,582	16,094
Increase (decrease) in payroll and related taxes	22,575	(1,905)	47,319
Increase (decrease) in accrued insurance	(924)	5,755	7,981
Increase in income and other taxes	13,250	3,185	8,032
	-----	-----	-----
Total	\$ (6,923)	\$ 2,239	\$ 38,751
	=====	=====	=====

Cash flows from short-term investments for 1999, 1998 and 1997 were as follows:

	1999 ----	1998 ----	1997 ----
Sales/Maturities	\$ 905,326	\$ 1,645,815	\$ 1,749,954
Purchases	(899,275)	(1,590,583)	(1,789,220)
	-----	-----	-----
Total	\$ 6,051	\$ 55,232	\$ (39,266)
	=====	=====	=====

4. Property and Equipment

Properties are stated at cost and include expenditures for additions and major improvements. The Company capitalizes professional fees and internal payroll costs incurred in the development of software for internal use in accordance with Statement of Position 98-1. Fully depreciated assets are eliminated from the accounts. For financial reporting purposes, assets are depreciated over their estimated useful lives, principally by the straight-line method. Estimated useful lives range from 15 to 45 years for land improvements, buildings and building improvements, 5 years for equipment, furniture and leasehold improvements and 3 to 12 years for computer hardware and software. Depreciation expense was \$33,900 for 1999, \$25,400 for 1998 and \$22,900 for 1997.

The Company conducts its field operations primarily from leased facilities. The following is a schedule by fiscal year of future minimum lease commitments as of January 2, 2000:

Fiscal year:	
2000	\$ 43,400
2001	30,000
2002	22,000
2003	14,800
2004	8,600
Later years	16,400

Total	\$135,200
	=====

Lease expense for 1999, 1998 and 1997 amounted to \$43,100, \$38,600 and \$35,900, respectively.

NOTES TO FINANCIAL STATEMENTS (continued)
Kelly Services, Inc. and Subsidiaries
(In thousands of dollars except share and per share items)

5. Intangibles and Other Assets

Intangibles and other assets include goodwill of \$67,900, \$64,100 and \$56,000 at year-ends 1999, 1998 and 1997, respectively. Goodwill, which represents the excess of cost over net assets of businesses acquired, is amortized on a straight-line basis over periods not exceeding 40 years. Accumulated amortization of goodwill at 1999, 1998 and 1997 was \$7,900, \$6,900 and \$5,300, respectively. Goodwill and other intangible amortization expense was \$2,300, \$3,500 and \$5,400 in 1999, 1998 and 1997, respectively.

The Company periodically reviews the specific carrying amounts of goodwill and has determined that no impairments have occurred. Such reviews are based on various analyses including profitability projections and management's judgment of the related business' ability to achieve sufficient profitability.

Other assets include deposits and cash values of life insurance on the lives of officers and key employees.

6. Capitalization

The authorized capital stock of the Company is 100,000,000 shares of Class A common stock and 10,000,000 shares of Class B common stock. Class A shares have no voting rights and are not convertible. Class B shares have voting rights and are convertible into Class A shares on a share-for-share basis at any time. Both classes of stock have identical rights in the event of liquidation.

During December 1999, the Company repurchased 22,500 shares of its Class A common stock. The total value of the Class A shares repurchased was \$551. On September 29, 1998 and November 24, 1998, the Company repurchased 1,500,000 and 1,000,000 shares of its Class A common stock, respectively, in negotiated transactions from the William R. Kelly Trust. The total value of the Class A shares repurchased was \$75,886. In addition, the Company repurchased 1,937 Class B shares at a total cost of \$63.

7. Earnings Per Share

The reconciliations of earnings per share computations for the fiscal years 1999, 1998 and 1997 were as follows:

	1999 ----	1998 ----	1997 ----
Net earnings	\$85,110	\$84,715	\$80,780
	=====	=====	=====
Determination of shares (thousands):			
Weighted average common shares outstanding	35,854	37,745	38,099
Effect of dilutive securities:			
Stock options	41	90	61
Restricted and performance awards and other	135	110	31
	-----	-----	-----
Weighted average common shares outstanding - assuming dilution	36,030	37,945	38,191
	=====	=====	=====
Earnings per share - basic	\$ 2.37	\$ 2.24	\$ 2.12
Earnings per share - assuming dilution	\$ 2.36	\$ 2.23	\$ 2.12

NOTES TO FINANCIAL STATEMENTS (continued)
Kelly Services, Inc. and Subsidiaries
(In thousands of dollars except share and per share items)

Stock options to purchase 1,162,000, 458,000 and 423,000 shares of common stock at a weighted average price per share of \$24.98, \$35.17 and \$31.02 were outstanding during 1999, 1998 and 1997, respectively, but were not included in the computation of diluted earnings per share. The options' exercise price was greater than the average market price of the common shares and was anti-dilutive.

8. Short-term Borrowings

Short-term borrowings of \$47,210, \$47,629 and \$54,958 were outstanding at year-ends 1999, 1998 and 1997, respectively. Weighted average interest

rates were 4.6%, 5.3% and 7.8% at year-ends 1999, 1998 and 1997, respectively. Interest expense and payments related to the short-term borrowings for 1999, 1998 and 1997 were as follows:

	1999	1998	1997
	----	----	----
Interest expense	\$2,513	\$3,207	\$3,174
Interest payments	2,567	3,956	2,174

During the fourth quarter of 1998 the Company entered into a committed \$100 million, five-year multi-currency revolving credit facility to be used to fund working capital, acquisitions, and for general corporate purposes. The interest rate applicable to borrowings under the line of credit is 20 basis points over LIBOR and may include additional costs if the funds are drawn from certain countries. All of the borrowings are foreign currency denominated and support the Company's international working capital position. The carrying amounts of the Company's borrowings under the lines of credit described above approximate their fair value.

9. Retirement Benefits

The Company provides a qualified defined contribution plan covering substantially all full-time employees, except officers and certain other management employees. Upon approval by the Board of Directors, a contribution based on eligible wages is funded annually. The plan offers a savings feature with Company matching contributions. Assets of this plan are held by an independent trustee for the sole benefit of participating employees.

A nonqualified benefit plan is provided for officers and certain other management employees. Upon approval by the Board of Directors, a contribution based on eligible wages is set aside annually. This plan also includes provisions for salary deferrals and Company matching contributions.

Amounts provided for retirement benefits totaled \$7,600 in 1999, \$7,000 in 1998 and \$6,300 in 1997.

10. Income Taxes

Pretax income for the years 1999, 1998 and 1997 was taxed under the following jurisdictions:

	1999	1998	1997
	----	----	----
Domestic	\$134,572	\$134,731	\$129,533
Foreign	9,138	8,884	7,447
	-----	-----	-----
Total	\$143,710	\$143,615	\$136,980
	=====	=====	=====

NOTES TO FINANCIAL STATEMENTS (continued)
 Kelly Services, Inc. and Subsidiaries
 (In thousands of dollars except share and per share items)

The provision for income taxes was as follows:

	1999	1998	1997
	----	----	----
Current tax expense:			
U.S. federal	\$ 42,898	\$ 47,599	\$ 52,517
U.S. state and local	11,500	12,000	10,715
Foreign	6,880	5,802	4,405
	-----	-----	-----
Total current	61,278	65,401	67,637
Total deferred	(2,678)	(6,501)	(11,437)
	-----	-----	-----
Total provision	\$ 58,600	\$ 58,900	\$ 56,200
	=====	=====	=====

Deferred tax assets (liabilities) are comprised of the following:

	1999	1998	1997
	----	----	----
Depreciation and amortization	\$ (6,420)	\$ (5,307)	\$ (5,604)
Employee compensation and benefit plans	23,276	22,845	19,143

Workers' compensation	22,352	22,428	19,811
Loss carryforwards	4,793	3,453	2,946
Other, net	9,949	7,987	8,322
Valuation allowance	(3,118)	(3,063)	(2,663)
	-----	-----	-----
Total deferred tax assets	50,832	48,343	41,955
Total deferred tax liabilities	(1,044)	(1,279)	(1,363)
	-----	-----	-----
Total	\$ 49,788	\$ 47,064	\$ 40,592
	=====	=====	=====

The differences between income taxes for financial reporting purposes and the U.S. statutory rate are as follows:

	1999	1998	1997
	----	----	----
Income tax based on statutory rate	35.0%	35.0%	35.0%
State income taxes, net of federal benefit	5.2	5.4	5.1
Other, net	0.6	0.6	0.9
	----	----	----
Total	40.8%	41.0%	41.0%
	=====	=====	=====

The Company has loss carryforwards at January 2, 2000, totaling \$4,793 which expire as follows:

Year	Amount
----	-----
2000	\$ 8
2001	423
2002	196
2003-2009	1,082
No expiration	3,084

Total	\$4,793
	=====

NOTES TO FINANCIAL STATEMENTS (continued)
Kelly Services, Inc. and Subsidiaries
(In thousands of dollars except share and per share items)

A valuation allowance of \$3,118 has been recorded against the loss carryforwards. The valuation allowance is provided on the tax benefits unless it is considered more likely than not that the benefit will be realized.

Provision has not been made for U.S. or additional foreign income taxes on an estimated \$15,700 of undistributed earnings of foreign subsidiaries which are permanently reinvested. If such earnings were to be remitted, management believes that U.S. foreign tax credits would largely eliminate any such U.S. and foreign income taxes.

The Company paid income taxes of \$53,400 in 1999, \$65,700 in 1998 and \$64,300 in 1997.

11. Performance Incentive Plan

Under the 1992 Performance Incentive Plan as amended and restated in 1996 (the "Plan"), the Company may grant stock options (both incentive and nonqualified), Stock Appreciation Rights (SARs), restricted awards and performance awards to key employees utilizing the Company's Class A stock. Stock options may not be granted at prices less than the fair market value on the date of grant, nor for a term to exceed 10 years. The Plan provides that the maximum number of shares available for grants is 7-1/2 percent of the outstanding Class A stock, adjusted for Plan activity over the preceding five years. Shares available for future grants at the end of 1999, 1998 and 1997 were 946,000, 1,213,000 and 1,149,000, respectively.

The Company applies Accounting Principles Board Opinion 25 and related Interpretations in accounting for the Plan. Accordingly, no compensation cost has been recognized for incentive and nonqualified stock options. If compensation cost had been determined based on the fair value at the grant dates for awards under the Plan consistent with the method of Statement of Financial Accounting Standards 123, Accounting for Stock-Based Compensation, the Company's net income would have been reduced by \$1,487, \$1,135 and \$809 for 1999, 1998 and 1997, respectively; basic earnings per share would have

been reduced by \$.04 in 1999, \$.03 in 1998 and \$.02 in 1997; and diluted earnings per share would have been reduced by \$.04 in 1999 and \$.03 in 1998 and 1997.

Since stock options generally become exercisable over several years and additional grants are likely to be made in future years, the pro forma amounts for compensation cost may not be indicative of the effects on net income and earnings per share for future years.

The fair value of each option included in the following tables is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions used for grants in 1999, 1998 and 1997, respectively: dividend yield of 4.0 percent in 1999 and 3.0 percent in 1998 and 1997, expected volatility of 30, 31 and 30 percent, risk-free interest rates of 5.7, 5.3 and 5.9 percent and expected lives of six years in 1999 and 1998, and seven years in 1997.

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NOTES TO FINANCIAL STATEMENTS (continued)
 Kelly Services, Inc. and Subsidiaries
 (In thousands of dollars except share and per share items)

A summary of the status of stock option grants under the Plan as of January 2, 2000, January 3, 1999 and December 28, 1997, and changes during the years ended on those dates, is presented as follows:

1999:	Options	Weighted Avg. Exercise Price
	-----	-----
Outstanding at beginning of year	1,330,000	\$30.78
Granted	592,000	25.05
Exercised	(32,000)	26.80
Cancelled	(298,000)	30.54

Outstanding at end of year	1,592,000	\$28.77
	=====	
Options exercisable at year end	552,000	\$29.08
Weighted average fair value of options granted during the year	\$ 6.30	
1998:		
Outstanding at beginning of year	1,160,000	\$28.68
Granted	448,000	35.16
Exercised	(104,000)	28.15
Cancelled	(174,000)	29.67

Outstanding at end of year	1,330,000	\$30.78
	=====	
Options exercisable at year end	404,000	\$28.07
Weighted average fair value of options granted during the year	\$10.06	
1997:		
Outstanding at beginning of year	1,022,000	\$28.69
Granted	434,000	28.50
Exercised	(90,000)	27.76
Cancelled	(206,000)	28.72

Outstanding at end of year	1,160,000	\$28.68
	=====	
Options exercisable at year end	280,000	\$27.70
Weighted average fair value of options granted during the year	\$ 8.69	

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NOTES TO FINANCIAL STATEMENTS (continued)
 Kelly Services, Inc. and Subsidiaries
 (In thousands of dollars except share and per share items)

The following table summarizes information about options outstanding at January 2, 2000:

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Number Outstanding as of 1/2/00	Weighted Average Remaining Life (Years)	Weighted Average Exercise Price	Number Exercisable as of 1/2/00	Weighted Average Exercise Price
\$24.00-24.50	448,000	9.15	\$24.50	2,000	\$24.50
\$24.51-28.00	285,000	6.08	26.52	223,000	26.44
\$28.01-29.00	264,000	7.44	28.23	93,000	28.19
\$29.01-33.00	255,000	6.03	30.60	160,000	30.51
\$33.01-38.50	340,000	8.10	35.32	74,000	35.27
\$24.00-38.50	1,592,000	7.59	\$28.77	552,000	\$29.08

As of January 2, 2000, no SARs have been granted under the Plan. Restricted awards are issued to certain key employees and are subject to forfeiture until the end of an established restriction period. Restricted awards totaling 87,000, 14,500 and 38,900 shares were granted under the Plan during 1999, 1998 and 1997, respectively. The weighted average grant date price of such awards was \$26.55, \$35.64 and \$29.58 for 1999, 1998 and 1997, respectively. Restricted awards outstanding totaled 104,000, 36,200 and 52,800 shares at year-ends 1999, 1998 and 1997, respectively, and have a weighted average remaining life of 2.2 years at January 2, 2000.

Under the Plan, performance awards may be granted to senior executive officers, the payout of which is determined by the degree of attainment of objectively determinable performance goals over the established relevant performance period. No performance awards were granted during 1999. Performance awards totaling 51,500 and 44,500 shares were granted under the Plan during 1998 and 1997, respectively. The weighted average grant date prices of such awards were \$34.94 and \$28.06 for 1998 and 1997, respectively. Unearned performance awards outstanding at year-ends 1999, 1998 and 1997 were 70,000, 115,200 and 76,300, respectively, and have a weighted average remaining life of six months at January 2, 2000. Total compensation cost recognized for restricted and performance awards was \$1,000, \$2,000 and \$1,400 for 1999, 1998 and 1997, respectively.

12. Contingencies

The Company is subject to various legal proceedings, claims and liabilities which arise in the ordinary course of its business. Litigation is subject to many uncertainties, the outcome of individual litigated matters is not predictable with assurance and it is reasonably possible that some of the foregoing matters could be decided unfavorably to the Company. Although the amount of the liability at January 2, 2000, with respect to these matters cannot be ascertained, the Company believes that any resulting liability will not be material to the financial statements of the Company at January 2, 2000.

NOTES TO FINANCIAL STATEMENTS (continued)
 Kelly Services, Inc. and Subsidiaries
 (In thousands of dollars except share and per share items)

13. Segment Disclosures

In 1998, the Company adopted Statement of Financial Accounting Standards (SFAS) 131, Disclosures About Segments of an Enterprise and Related Information, which revises reporting and disclosure requirements for operating segments.

The Company has determined that its reportable segments are those that are based on the Company's method of internal reporting, which disaggregates its business by segment. The Company's reportable segments are: (1) U.S. Commercial Staffing, (2) Professional, Technical and Staffing Alternatives (PTSA) and (3) International. The accounting policies of the segments are the same as those described in the "Summary of Significant Accounting Policies."

The following table presents information about the reported operating income of the Company for the fiscal years 1999, 1998 and 1997. Segment data presented is net of intersegment revenues. Asset information by reportable segment is not reported, since the Company does not produce such information internally.

	52 weeks -----	53 weeks -----	52 weeks -----
Sales:			
U.S. Commercial Staffing	\$ 2,247,700	\$ 2,263,500	\$ 2,201,000
PTSA	937,100	864,000	797,400
International	1,084,300	964,800	854,500
	-----	-----	-----
Consolidated Total	\$ 4,269,100 =====	\$ 4,092,300 =====	\$ 3,852,900 =====
Earnings from Operations:			
U.S. Commercial Staffing	\$ 198,600	\$ 200,500	\$ 194,800
PTSA	55,000	44,100	37,400
International	33,600	29,600	20,500
Corporate	(143,200)	(133,600)	(116,900)
	-----	-----	-----
Consolidated Total	\$ 144,000 =====	\$ 140,600 =====	\$ 135,800 =====

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NOTES TO FINANCIAL STATEMENTS (continued)
Kelly Services, Inc. and Subsidiaries
(In thousands of dollars except share and per share items)

Specified items included in segment earnings from operations for the fiscal years 1999, 1998 and 1997 were as follows:

	1999 52 weeks -----	1998 53 weeks -----	1997 52 weeks -----
Depreciation and Amortization:			
U.S. Commercial Staffing	\$ 5,911	\$ 6,237	\$ 7,531
PTSA	2,395	1,977	1,972
International	11,228	10,262	9,213
Corporate	16,704	10,389	9,625
	-----	-----	-----
Consolidated Total	\$36,238 =====	\$28,865 =====	\$28,341 =====
Interest Income:			
U.S. Commercial Staffing	\$ --	\$ --	\$ --
PTSA	23	141	57
International	615	783	492
Corporate	1,634	5,282	3,841
	-----	-----	-----
Consolidated Total	\$ 2,272 =====	\$ 6,206 =====	\$ 4,390 =====
Interest Expense:			
U.S. Commercial Staffing	\$ --	\$ --	\$ --
PTSA	--	--	--
International	2,389	3,207	2,774
Corporate	124	--	400
	-----	-----	-----
Consolidated Total	\$ 2,513 =====	\$ 3,207 =====	\$ 3,174 =====

The following is long-lived assets information by geographic area as of the years ended 1999, 1998 and 1997:

	1999 ----	1998 ----	1997 ----
Long-Lived Assets:			
Domestic	\$223,000	\$170,500	\$130,000
International	74,500	73,900	66,300
	-----	-----	-----
Total	\$297,500 =====	\$244,400 =====	\$196,300 =====

Long-lived assets include Property and Equipment and Intangibles and Other Assets. No single foreign country's long-lived assets were material to the consolidated long-lived assets of the Company.

Foreign revenue is based on the country in which the legal subsidiary is domiciled. No single foreign country's revenue was material to the

NOTES TO FINANCIAL STATEMENTS (continued)
Kelly Services, Inc. and Subsidiaries

SELECTED QUARTERLY FINANCIAL DATA (unaudited)

	First Quarter -----	Second Quarter -----	Third Quarter -----	Fourth Quarter -----	Year -----
	(In thousands of dollars except per share items)				
Sales of services					
1999.....	\$1,025,959	\$1,066,783	\$1,092,002	\$1,084,369	\$4,269,113
1998 (53 weeks)...	959,382	1,001,286	1,032,875	1,098,708	4,092,251
1997.....	880,846	959,726	1,001,209	1,011,154	3,852,935
Cost of services					
1999.....	846,828	876,809	893,900	885,515	3,503,052
1998 (53 weeks)...	791,472	823,542	846,094	899,868	3,360,976
1997.....	724,508	789,618	824,820	832,643	3,171,589
Selling, general and administrative					
1999.....	153,539	154,841	155,390	158,340	622,110
1998 (53 weeks)...	143,069	143,584	145,404	158,602	590,659
1997.....	132,219	137,636	136,464	139,263	545,582
Net earnings					
1999.....	15,188	20,734	25,018	24,170	85,110
1998 (53 weeks)...	15,064	20,623	24,903	24,125	84,715
1997.....	14,228	19,443	23,587	23,522	80,780
Basic earnings per share (1)					
1999.....	.42	.58	.70	.67	2.37
1998 (53 weeks)...	.39	.54	.65	.66	2.24
1997.....	.37	.51	.62	.62	2.12
Diluted earnings per share (1)					
1999.....	.42	.58	.69	.67	2.36
1998 (53 weeks)...	.39	.54	.65	.66	2.23
1997.....	.37	.51	.62	.61	2.12
Dividends per share					
1999.....	.23	.24	.24	.24	.95
1998.....	.22	.23	.23	.23	.91
1997.....	.21	.22	.22	.22	.87

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

SCHEDULE II - VALUATION RESERVES
Kelly Services, Inc. and Subsidiaries
JANUARY 2, 2000
(In thousands of dollars)

Description -----	Balance at beginning of year -----	Additions		Balance at end of year -----
		Charged to costs and expenses -----	Deductions- uncollectible accounts -----	
Fifty-two weeks ended January 2, 2000:				

Reserve deducted in the balance sheet from the assets to which it applies -

Allowance for doubtful accounts	\$13,035	\$ 5,125	\$4,585	\$13,575
	=====	=====	=====	=====

Fifty-three weeks ended January 3, 1999:

Reserve deducted in the balance sheet from the assets to which it applies -

Allowance for doubtful accounts	\$12,375	\$ 7,355	\$6,695	\$13,035
	=====	=====	=====	=====

Fifty-two weeks ended December 28, 1997:

Reserve deducted in the balance sheet from the assets to which it applies -

Allowance for doubtful accounts	\$ 8,320	\$12,250	\$8,195	\$12,375
	=====	=====	=====	=====

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

Exhibit No	Description	Page
- - - - -	- - - - -	- - - - -
3.1	Certificate of Incorporation. (Reference is made to Exhibit 3.2 to the Form 10-Q for the quarterly period ended June 30, 1996, filed with the Commission in August, 1996, which is incorporated herein by reference).	
3.2	By-laws. (Reference is made to Exhibit 3 to the Form 10-Q for the quarterly period ended September 29, 1996, filed with the Commission in November, 1996, which is incorporated herein by reference).	
4	Rights of security holders are defined in Articles Fourth, Fifth, Seventh, Eighth, Ninth, Tenth, Eleventh, Twelfth, Thirteenth, Fourteenth and Fifteenth of the Certificate of Incorporation. (Reference is made to Exhibit 3.2 to the Form 10-Q for the quarterly period ended June 30, 1996, filed with the Commission in August, 1996, which is incorporated herein by reference).	
10.1	Short-Term Incentive Plan, as amended and restated on March 23, 1998. (Reference is made to Exhibit 10 to the Form 10-Q for the quarterly period ended June 28, 1998, filed with the Commission in August, 1998, which is incorporated herein by reference).	
10.2	Kelly Services, Inc. Amended and Restated Performance Incentive Plan. (Reference is made to Exhibit B to the Definitive Proxy for the fiscal year ended December 31, 1995, filed with the Commission in April, 1996, which is incorporated herein by reference).	
10.3	Kelly Services, Inc. 1999 Non-Employee Directors Stock Option Plan. (Reference is made to Exhibit A to the Definitive Proxy for the fiscal year ended January 3, 1999, filed with the Commission in April, 1999, which is incorporated herein by reference).	
21	Subsidiaries of Registrant.	1

		(Document 2)
23	Consent of Independent Accountants.	1 (Document 3)
24	Power of Attorney.	1 (Document 4)
27	1999 Financial Data Schedule.	1 (Document 5)

SUBSIDIARIES OF REGISTRANT

Kelly Services, Inc.

Subsidiary -----	State/Jurisdiction of Incorporation -----	Business Name -----
Kelly Services (Canada), Ltd.	Canada	Kelly Temporary Services
Kelly Properties, Inc.	Michigan	Kelly Properties
Kelly Services (Ireland), Ltd. (a subsidiary of Kelly Properties, Inc.)	Delaware	Kelly Services
Kelly Services (UK), Ltd. (a subsidiary of Kelly Properties, Inc.)	United Kingdom	Kelly Temporary Services
Kelly Assisted Living Services, Inc.	Delaware	Kelly Assisted Living Services
Kelly Services (Australia), Ltd.	Delaware	Kelly Temporary Services
Kelly Services (New Zealand), Ltd.	Delaware	Kelly Temporary Services
Kelly Professional Services (France), Inc.	Delaware	Kelly Professional Services
Kelly Services of Denmark, Inc.	Delaware	Kelly Services (Danmark)
Kelly Services (Nederland), B.V.	The Netherlands	Kelly Uitzendburo
Kelly Services Norge A.S. (a subsidiary of Kelly Services (Nederland), B.V.)	Norway	Kelly Bemmannings/oslinger
Kelly de Mexico, S.A. de C.V.	Mexico	Kelly Temporary Services
KSI Acquisition Corporation	California	Kelly Staff Leasing
Kelly Services (Suisse) Holding S.A.	Switzerland	Kelly Services Suisse
Kelly Services France S.A.	France	Kelly Services France
Kelly Services Interim, S.A. (a subsidiary of Kelly Services France S.A.)	France	Kelly Services Interim
Competences RH SARL (a subsidiary of Kelly Services France S.A.)	France	Kelly Formation
Kelly Services Luxembourg S.A.R.L.	Luxembourg	Kelly Services
Kelly Services Italia Srl (a subsidiary of Kelly Services, Inc. and Kelly Properties, Inc.)	Italy	Kelly Services
Kelly Services (Societa di fornitura di lavaro temporaneo) SpA (a subsidiary of Kelly Services, Inc. and Kelly Properties, Inc.)	Italy	Kelly Services Italia SpA

SUBSIDIARIES OF REGISTRANT (continued)

Kelly Services, Inc.

Subsidiary -----	State/Jurisdiction of Incorporation -----	Business Name -----
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Kelly Services Iberia Holding Company, S.L.	Spain	Kelly Services E.T.T.
Kelly Services Empleo Empresa de Trabajo Temporal, S.L. (a subsidiary of Kelly Services Iberia Holding Company, S.L.)	Spain	Kelly Services E.T.T.
Kelly Services Seleccion y Formacion, S.L. (a subsidiary of Kelly Services Iberia Holding Company, S.L.)	Spain	Kelly Services E.T.T.
Kelly Services CIS, Inc.	Delaware	Kelly Services
ooo Kelly Services (a subsidiary of Daylesford Investments Limited, a Cyprus Holding Company)	Russia	Kelly Services
Kelly Services Deutschland GmbH	Germany	Kelly Services
Kelly Services Consulting GmbH (a subsidiary of Kelly Services Deutschland GmbH)	Germany	Kelly Services
Kelly Services Interim (Belgium) S.A., N.V. (a subsidiary of Kelly Services, Inc. and Kelly Properties, Inc.)	Belgium	Kelly Services Interim
Kelly Services Select (Belgium) S.A., N.V. (a subsidiary of Kelly Services, Inc. and Kelly Properties, Inc.)	Belgium	Kelly Services Select
Kelly Services Sverige A.B.	Sweden	Help Personal A.B.
LabStaff Holdings, Pty. Ltd. (a subsidiary of Kelly Services (Australia), Ltd.)	Australia	LabStaff
HTM Group (a subsidiary of Kelly de Mexico S.A. de CV and Kelly Properties, Inc.)	Mexico	Kelly Services
Interim Job S.A.R.L. (a subsidiary of Kelly Services Luxembourg S.A.R.L.)	Luxembourg	Interim Job
Expertos en Trabajo E.T.T., S.L. (a subsidiary of Kelly Services Empleo Empresa de Trabajo Temporal, S.L.)	Spain	Extra

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statements on Forms S-8 (Nos. 2-85867, 33-48782 and 33-51239) and on Form S-3 (No. 333-79329) of Kelly Services, Inc. of our report dated January 27, 2000, relating to the financial statements and financial statement schedule, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP

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Pricewaterhouse Coopers LLP

Detroit, Michigan

March 28, 2000

POWER OF ATTORNEY

Each of the undersigned directors of Kelly Services, Inc. does hereby appoint each of George M. Reardon and William K. Gerber, signing singly, his true and lawful attorneys, to execute for and on behalf of the undersigned the Form 10-K Annual Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended January 2, 2000, to be filed with the Securities and Exchange Commission in Washington, D.C. under the provisions of the Securities Exchange Act of 1934, as amended, and any and all amendments to said Form 10-K whether said amendments add to, delete from or otherwise alter the Form 10-K, or add to or withdraw any exhibit or exhibits, schedule or schedules to be filed therewith, and any and all instruments necessary or incidental in connection therewith, hereby granting unto said attorneys and each of them full power and authority to do and perform in the name and on behalf of each of the undersigned, and in any and all capacities, every act and thing whatsoever required or necessary to be done in the exercise of any of the rights and powers herein granted, as fully and to all intents and purposes as each of the undersigned might or could do in person, hereby ratifying and approving the acts of said attorneys and each of them.

IN WITNESS WHEREOF the undersigned have caused this Power of Attorney to be executed as of this 9th day of February, 2000.

/s/ Terence E. Adderley

Terence E. Adderley

/s/ Maureen A. Fay, O.P.

Maureen A. Fay, O.P.

/s/ Cedric V. Fricke

Cedric V. Fricke

/s/ Verne G. Istock

Verne G. Istock

/s/ B. Joseph White

B. Joseph White

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE BALANCE SHEET AND STATEMENT OF EARNINGS AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

	1,000	
	YEAR	
	JAN-02-2000	
	JAN-02-2000	
		54,032
		6,018
		616,060
		13,575
		0
		736,168
		281,112
		94,112
		1,033,691
	451,318	0
	0	0
		40,116
		542,257
1,033,691		0
	4,269,113	0
		3,503,052
		0
		0
		0
		143,710
		58,600
	85,110	0
		0
		0
		85,110
		2.37
		2.36