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

FORM 10-Q

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

For the quarterly period ended April 2, 2000

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.)

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

At May 5, 2000, 32,210,000 shares of Class A and 3,501,659 shares of Class B common stock of the Registrant were outstanding.

KELLY SERVICES, INC. AND SUBSIDIARIES

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

KELLY SERVICES, INC. AND SUBSIDIARIES

STATEMENTS OF EARNINGS
(UNAUDITED)

(In thousands of dollars except per share data)

	13 Weeks Ended	
	April 2, 2000	April 4, 1999
Sales of services	\$1,080,069	\$1,025,959
Cost of services	892,095	846,828
Gross profit	187,974	179,131
Selling, general and administrative expenses	161,406	153,539
Earnings from operations	26,568	25,592
Interest income, net	287	151
Earnings before income taxes	26,855	25,743
Income taxes	10,795	10,555
Net earnings	\$ 16,060	\$ 15,188
Earnings per share:		
Basic	\$.45	\$.42
Diluted	.45	.42
Average shares outstanding (thousands):		
Basic	35,705	35,814
Diluted	35,808	35,953
Dividends per share	\$.24	\$.23

See accompanying Notes to Financial Statements.

KELLY SERVICES, INC. AND SUBSIDIARIES

BALANCE SHEETS AS OF APRIL 2, 2000 AND JANUARY 2, 2000
(In thousands of dollars)

ASSETS	2000	1999
	-----	-----
CURRENT ASSETS:	(UNAUDITED)	
Cash and equivalents	\$ 51,975	\$ 54,032
Short-term investments	3,340	6,018
Accounts receivable, less allowances of \$13,605 and \$13,575, respectively	601,122	602,485
Prepaid expenses and other current assets	21,902	22,801
Deferred taxes	51,857	50,832
	-----	-----
Total current assets	730,196	736,168
PROPERTY AND EQUIPMENT:		
Land and buildings	49,832	49,458
Equipment, furniture and leasehold improvements	240,992	231,654
Accumulated depreciation	(100,872)	(94,112)
	-----	-----
Total property and equipment	189,952	187,000
INTANGIBLES AND OTHER ASSETS	114,400	110,523
	-----	-----
TOTAL ASSETS	\$ 1,034,548	\$ 1,033,691
	=====	=====
LIABILITIES & STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Short-term borrowings	\$ 41,671	\$ 47,210
Accounts payable	56,212	73,516
Payroll and related taxes	239,491	215,706
Accrued insurance	63,238	65,881
Income and other taxes	52,572	49,005
	-----	-----
Total current liabilities	453,184	451,318
STOCKHOLDERS' EQUITY:		
Capital stock, \$1 par value		
Class A common stock, shares issued 36,606,440 in 2000 and 36,602,210 in 1999	36,606	36,602
Class B common stock, shares issued 3,509,426 in 2000 and 3,513,656 in 1999	3,510	3,514
Treasury stock, at cost		
Class A common stock, 4,396,559 shares in 2000 and 4,234,524 shares in 1999	(84,888)	(80,538)
Class B common stock, 7,767 shares in 2000 and 1999	(248)	(248)
Paid-in capital	16,167	15,761
Earnings invested in the business	631,067	623,564
Accumulated foreign currency adjustments	(20,850)	(16,282)
	-----	-----
Total stockholders' equity	581,364	582,373
	-----	-----
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	\$ 1,034,548	\$ 1,033,691
	=====	=====

See accompanying Notes to Financial Statements.

(UNAUDITED)
(In thousands of dollars)

	13 Weeks Ended	
	April 2, 2000	April 4, 1999
Capital Stock		
Class A common stock		
Balance at beginning of period	\$ 36,602	\$ 36,541
Conversions from Class B	4	--
	-----	-----
Balance at end of period	36,606	36,541
Class B common stock		
Balance at beginning of period	3,514	3,575
Conversions to Class A	(4)	--
	-----	-----
Balance at end of period	3,510	3,575
Treasury Stock		
Class A common stock		
Balance at beginning of period	(80,538)	(81,669)
Treasury stock issued for acquisition	164	--
Purchase of treasury stock	(5,614)	--
Exercise of stock options, restricted stock awards and other	1,100	589
	-----	-----
Balance at end of period	(84,888)	(81,080)
Class B common stock		
Balance at beginning of period	(248)	(248)
	-----	-----
Balance at end of period	(248)	(248)
Paid-in Capital		
Balance at beginning of period	15,761	14,844
Treasury stock issued for acquisition	39	--
Exercise of stock options, restricted stock awards and other	367	361
	-----	-----
Balance at end of period	16,167	15,205
Earnings Invested in the Business		
Balance at beginning of period	623,564	572,517
Net earnings	16,060	15,188
Dividends	(8,557)	(8,237)
	-----	-----
Balance at end of period	631,067	579,468
Accumulated Foreign Currency Adjustments		
Balance at beginning of period	(16,282)	(7,796)
Equity adjustment for foreign currency	(4,568)	(5,930)
	-----	-----
Balance at end of period	(20,850)	(13,726)
Stockholders' Equity at end of period		
	\$ 581,364	\$ 539,735
	=====	=====
Comprehensive Income		
Net earnings	\$ 16,060	\$ 15,188
Other comprehensive income - Foreign currency adjustments	(4,568)	(5,930)
	-----	-----
Comprehensive Income	\$ 11,492	\$ 9,258
	=====	=====

See accompanying Notes to Financial Statements.

(UNAUDITED)
FOR THE 13 WEEKS ENDED APRIL 2, 2000 AND APRIL 4, 1999
(In thousands of dollars)

	2000	1999
	-----	-----
Cash flows from operating activities:		
Net earnings	\$ 16,060	\$ 15,188
Noncash adjustments:		
Depreciation and amortization	9,625	8,129
Increase in accounts receivable, net	(4,180)	(10,634)
Changes in certain working capital components	12,552	26,764
	-----	-----
Net cash from operating activities	34,057	39,447
	-----	-----
Cash flows from investing activities:		
Capital expenditures	(12,821)	(15,224)
Proceeds from sales and maturities of short-term investments	278,782	298,598
Purchases of short-term investments	(276,104)	(298,819)
Increase in other assets	(4,796)	(3,455)
Acquisition of companies, net of cash received	(1,534)	(2,205)
	-----	-----
Net cash from investing activities	(16,473)	(21,105)
	-----	-----
Cash flows from financing activities:		
(Decrease) increase in short-term borrowings	(5,539)	4,466
Dividend payments	(8,545)	(8,237)
Purchase of treasury stock	(5,614)	--
Stock options and other	57	9
	-----	-----
Net cash from financing activities	(19,641)	(3,762)
	-----	-----
Net change in cash and equivalents	(2,057)	14,580
Cash and equivalents at beginning of period	54,032	59,799
	-----	-----
Cash and equivalents at end of period	\$ 51,975	\$ 74,379
	=====	=====

See accompanying Notes to Financial Statements.

KELLY SERVICES, INC. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS
(UNAUDITED)
(In thousands of dollars)

1. Basis of Presentation

The accompanying unaudited consolidated financial statements of the Company 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 for complete financial statements. All adjustments, consisting only of normal recurring adjustments, have been made which, in the opinion of management, are necessary for a fair presentation of the results of the interim periods. 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 January 2, 2000 (the 1999 consolidated financial statements).

2. Segment Disclosures

The Company's reportable segments, which are based on the Company's method of internal reporting, are: (1) U.S. Commercial Staffing, (2) Professional,

Technical and Staffing Alternatives (PTSA) and (3) International. The following table presents information about the reported sales and earnings from operations of the Company for the 13-week periods ended April 2, 2000 and April 4, 1999. Segment data presented is net of intersegment revenues. Asset information by reportable segment is not presented, since the Company does not produce such information internally.

	13 Weeks Ended	
	2000	1999
	-----	-----
Sales:		
U.S. Commercial Staffing	\$ 549,666	\$ 551,703
PTSA	257,546	227,950
International	272,857	246,306
	-----	-----
Consolidated Total	\$ 1,080,069	\$ 1,025,959
	=====	=====
Earnings from Operations:		
U.S. Commercial Staffing	\$ 42,323	\$ 44,183
PTSA	15,742	12,197
International	5,094	4,291
Corporate	(36,591)	(35,079)
	-----	-----
Consolidated Total	\$ 26,568	\$ 25,592
	=====	=====

3. 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 April 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 April 2, 2000.

KELLY SERVICES, INC. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (continued) (UNAUDITED) (In thousands of dollars)

4. Earnings Per Share

The reconciliations of earnings per share computations for the 13-week periods ended April 2, 2000 and April 4, 1999 were as follows:

	13 Weeks Ended	
	2000	1999
	-----	-----
Net earnings	\$16,060	\$15,188
	=====	=====
Determination of shares (thousands):		
Weighted average common shares outstanding	35,705	35,814
Effect of dilutive securities:		
Stock options	2	18
Restricted and performance awards and other	101	121
	-----	-----
Weighted average common shares outstanding - assuming dilution	35,808	35,953
	=====	=====
Earnings per share - basic	\$.45	\$.42
Earnings per share - assuming dilution	\$.45	\$.42

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

Results of Operations:
First Quarter

Sales of services in the first quarter of 2000 were \$1.080 billion, an increase of 5.3% from the same period in 1999. Sales performance in the U.S. Commercial Staffing segment was slightly negative. Tightness in the U.S. labor market continues to be the principal constraint on growth in this segment. Professional, Technical and Staffing Alternatives (PTSA) sales grew by 13.0% while International sales grew by 10.8% as compared to the first quarter of 1999.

Cost of services, consisting of payroll and related tax and benefit costs of employees assigned to customers, increased 5.3% in the first quarter as compared to the same period in 1999. Direct wage costs have increased from 1999 at a rate somewhat higher than the general inflation rate, due to strong worldwide demand for labor.

Gross profit of \$188.0 million was 4.9% higher than the first quarter of 1999, and gross profit as a percentage of sales was 17.4% in 2000 and 17.5% in 1999. This reflected a small decrease in the gross profit rate of both the U.S. Commercial Staffing and International segments.

Selling, general and administrative expenses were \$161.4 million in the first quarter, an increase of 5.1% over the same period in 1999. Expenses averaged 14.9% of sales as compared to 15.0% in last year's first quarter. This quarter benefited from the elimination of Y2K expenses, partially offset by increased depreciation expense.

Earnings from operations of \$26.6 million were 3.8% greater than the first quarter of 1999. Net interest income of \$0.3 million almost doubled as compared to the first quarter of 1999. The increase is attributable to higher average U.S. interest rates earned on the Company's cash balances, combined with lower short-term borrowings this year.

Earnings before income taxes were \$26.9 million, an increase of 4.3%, compared to pretax earnings of \$25.7 million earned for the same period in 1999. Income taxes were 40.2% of pretax income in the first quarter of 2000 and 41.0% in the first quarter of 1999.

Net earnings were \$16.1 million in the first quarter of 2000, an increase of 5.7% over the first quarter of 1999. Basic and diluted earnings per share were \$.45 compared to \$.42 in the same period last year, a 7.1% increase.

Financial Condition

Assets totaled \$1,034.5 million at April 2, 2000, an increase of 0.1% over the \$1,033.7 million at January 2, 2000. Working capital decreased \$7.8 million during the three-month period. The current ratio was 1.6 at April 2, 2000 and January 2, 2000.

During the first three months of 2000, net cash from operating activities was \$34.1 million, a decrease of 13.7% from the comparable period in 1999. This decrease resulted principally from a decrease in the accounts payable balance offset by a containment on the growth in the accounts receivable balance. The Company's global day's sales outstanding for the 13-week period improved to 51 days, as compared to 52 days for the same period last year.

Capital expenditures of \$12.8 million in 2000 decreased somewhat from the \$15.2 million spent during the same period of 1999. Of the total, the majority related to Information Technology investments. Specifically, capital expenditures related to the branch automation and Oracle projects totaled approximately \$9.8 million, or nearly 75% of total capital expenditures. Annual capital expenditures are projected to total \$65 million this year, a decline from the \$77 million spent in 1999.

The quarterly dividend rate applicable to Class A and Class B shares outstanding was \$.24 per share in the first quarter of 2000. This represents a 4.3% increase compared to a dividend rate of \$.23 per share in the first quarter of 1999.

The Company's financial position continues to be strong. This strength will allow it to continue to aggressively pursue growth opportunities, while supporting current operations.

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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.

New Accounting Standard

In December 1999, the SEC issued Staff Accounting Bulletin No. 101 ("SAB 101"), "Revenue Recognition in Financial Statements." SAB 101 summarizes certain of the SEC's views in applying generally accepted accounting principles to revenue recognition in financial statements. Pursuant to SAB 101A, which amends SAB 101, the Company is required to adopt SAB 101 in the second quarter of fiscal 2000. Management does not expect the adoption of SAB 101 to have a material effect on the Company's operations or financial position.

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.

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Companies for which this report is filed are:

Kelly Services, Inc. and its subsidiaries:

- Kelly Assisted Living Services, Inc.
- Kelly Properties, Inc.
- Kelly Services (Canada), Ltd.
- Kelly Services (UK), Ltd.
- Kelly Services (Ireland), Ltd.
- Kelly Services (Australia), Ltd.
- Kelly Services (New Zealand), Ltd.
- Kelly Services (Nederland), B.V.
- Kelly Services of Denmark, Inc.
- Kelly de Mexico, S.A. de C.V.
- Kelly Services Norge A.S.
- KSI Acquisition Corp.
- Kelly Staff Leasing, Inc.
- Kelly Services (Suisse) Holding S.A.
- Kelly Professional Services (France), Inc.
- Kelly Services France S.A.
- Competences RH S.A.R.L.
- Kelly Services Luxembourg S.A.R.L.
- Kelly Services Italia Srl
- Kelly Services Iberia Holding Company, S.L.
- Kelly Services Empleo Empresa de Trabajo Temporal, S.L.
- Kelly Services Seleccion y Formacion, S.L.
- Kelly Services CIS, Inc.
- ooo Kelly Services
- Kelly Services (Societa di fornitura di lavaro temporaneo) SpA

Kelly Services Interim, S.A.
Kelly Services Deutschland GmbH
Kelly Services Consulting GmbH
Kelly Services Interim (Belgium) S.A., N.V.
Kelly Services Select (Belgium) S.A., N.V.
Kelly Services Sverige A.B.
LabStaff Pty. Ltd.
HTM Group
Interim Job S.A.R.L.
Expertos en Trabajo E.T.T., S.L.

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PART II. OTHER INFORMATION AND SIGNATURE

Item 2. Changes in Securities.

In February, 1999, the Company signed an acquisition agreement (the "Agreement") for the acquisition of all of the common stock of Help Holding AB. The Agreement provided for partial payment to be made in installments. Pursuant to the Agreement, the first installment, paid in March, 2000, consisted of 8,506 shares of Class A non-voting common stock. The shares were issued to the former owner of the acquired company, and the issuance of such shares was exempt from the registration requirement of the Securities Act of 1933, as amended, by reason of Section 4(2) of that Act and Regulation D thereunder, because they were issued in a transaction that did not involve a public offering, were not acquired with a view to their further distribution and are subject to appropriate restrictions on resale. Two additional installments shall be paid in cash pursuant to the Agreement on March 31, 2001 and March 31, 2002.

Item 6. Exhibits and Reports on Form 8-K.

- (a) See Index to Exhibits required by Item 601, Regulation S-K, set forth on page 14 of this filing.
- (b) No reports on Form 8-K were filed during the quarter for which this report is filed.

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SIGNATURE

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: May 15, 2000

/s/ William K. Gerber
William K. Gerber

Executive Vice President and
Chief Financial Officer

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

Exhibit No. -----	Description -----	Document -----
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).	
27	Financial Data Schedule for three months ended April 2, 2000.	2

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	
	3-MOS	
	DEC-31-2000	
	APR-02-2000	
		51,975
		3,340
		614,727
		13,605
		0
		730,196
		290,824
		100,872
		1,034,548
453,184		0
		0
		0
		40,116
		541,248
1,034,548		0
		0
		1,080,069
		892,095
		0
		0
		0
		26,855
		10,795
16,060		0
		0
		0
		16,060
		0.45
		0.45