

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, 1995

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)

(810) 362-4444

(Registrant's telephone number, including area code)

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 8, 1995, 34,381,970 shares of Class A and 3,598,657 shares of Class B common stock of the Registrant were outstanding.

KELLY SERVICES, INC. AND SUBSIDIARIES

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KELLY SERVICES, INC. AND SUBSIDIARIES

STATEMENTS OF EARNINGS
(UNAUDITED)

(In thousands of dollars except per share items)

	13 Weeks Ended	
	April 2, 1995	April 3, 1994
Sales of services	\$620,685	\$530,191
Cost of services	498,667	428,374
Gross profit	122,018	101,817
Selling, general and administrative expenses	104,305	88,424
Earnings from operations	17,713	13,393
Interest income	2,389	1,505
Earnings before income taxes	20,102	14,898
Income taxes:		
Federal	6,390	4,520
State and other	1,450	1,145
Total income taxes	7,840	5,665
Net earnings	\$ 12,262	\$ 9,233
Earnings per share	\$.32	\$.24
Dividends per share	\$.18	\$.16
Average shares outstanding (thousands)	37,967	37,947

KELLY SERVICES, INC. AND SUBSIDIARIES

BALANCE SHEETS AS OF APRIL 2, 1995 AND JANUARY 1, 1995
(UNAUDITED)
(In thousands of dollars)

ASSETS	1995	1994

CURRENT ASSETS:		
Cash and equivalents	\$ 60,688	\$ 49,207
Short-term investments	155,440	142,723
Accounts receivable, less allowances of \$7,570 and \$5,660, respectively	314,079	307,478
Prepaid expenses and other current assets	26,592	27,018
	-----	-----
Total current assets	556,799	526,426
PROPERTY AND EQUIPMENT:		
Land and buildings	34,561	34,044
Equipment, furniture and leasehold improvements	96,176	90,868
Accumulated depreciation	(59,841)	(54,731)
	-----	-----
Total property and equipment	70,896	70,181
INTANGIBLES AND OTHER ASSETS	47,351	45,491
	-----	-----
TOTAL ASSETS	\$675,046	\$642,098
	=====	=====
LIABILITIES & STOCKHOLDERS' EQUITY		

CURRENT LIABILITIES:		
Accounts payable	\$ 33,501	\$ 33,716
Payroll and related taxes	119,753	102,911
Accrued insurance	57,573	57,390
Income and other taxes	21,517	16,565
	-----	-----
Total current liabilities	232,344	210,582
STOCKHOLDERS' EQUITY:		
Capital stock, \$1 par value	40,116	40,116
Treasury stock, 2,139 shares in 1995 and 2,153 shares in 1994, respectively, at cost	(6,216)	(6,186)
Paid-in capital	6,210	5,868
Earnings invested in the business	402,592	391,718
	-----	-----
Total stockholders' equity	442,702	431,516
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	\$675,046	\$642,098
	=====	=====

KELLY SERVICES, INC. AND SUBSIDIARIES

STATEMENTS OF STOCKHOLDERS' EQUITY
(UNAUDITED)
(In thousands of dollars)

	13 Weeks Ended	
	April 2, 1995	April 3, 1994
	-----	-----
Capital Stock		
Class A common stock		
Balance at beginning of period	\$ 36,507	\$ 36,507
Conversions from Class B	3	--
	-----	-----
Balance at end of period	36,510	36,507
Class B common stock		
Balance at beginning of period	3,609	3,609
Conversions to Class A	(3)	--
	-----	-----
Balance at end of period	3,606	3,609
Treasury Stock		
Balance at beginning of period	(6,186)	(6,702)
Exercise of stock options	(30)	20
Treasury stock issued for acquisition	--	529
	-----	-----
Balance at end of period	(6,216)	(6,153)
Paid-in Capital		
Balance at beginning of period	5,868	679
Exercise of stock options	342	146
Treasury stock issued for acquisition	--	4,803
	-----	-----
Balance at end of period	6,210	5,628
Earnings Invested in the Business		
Balance at beginning of period	391,718	352,126
Net earnings	12,262	9,233
Cash dividends	(6,834)	(6,072)
Equity adjustment for foreign currency translation (cumulative credit of \$4,038 in 1995 and charge of \$6,581 in 1994)	5,446	(68)
	-----	-----
Balance at end of period	402,592	355,219
Stockholders' Equity at end of period	\$442,702	\$394,810
	=====	=====

KELLY SERVICES, INC. AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS
(UNAUDITED)

FOR THE 13 WEEKS ENDED APRIL 2, 1995 AND APRIL 3, 1994
(In thousands of dollars)

	1995	1994
	-----	-----
Cash flows from operating activities:		
Net earnings	\$12,262	\$ 9,233
Noncash adjustments:		
Depreciation	5,110	4,217
Changes in certain working capital components	18,515	3,605
	-----	-----
Cash from operating activities	35,887	17,055
	-----	-----
Cash flows from investing activities:		
Capital expenditures	(4,995)	(3,544)
Short-term investments	(12,717)	(3,629)
Increase in intangibles and other assets	(172)	(243)
	-----	-----
Cash from investing activities	(17,884)	(7,416)
	-----	-----
Cash flows from financing activities:		
Dividend payments	(6,834)	(6,072)
Exercise of stock options	312	166
	-----	-----
Net cash from financing activities	(6,522)	(5,906)
	-----	-----
Net change in cash and equivalents	11,481	3,733
Cash and equivalents at beginning of period	49,207	36,020
	-----	-----
Cash and equivalents at end of period	\$60,688	\$39,753
	=====	=====

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 1995 totaled \$620,685,000, an increase of 17.1% from the same period in 1994. This increase reflected growth in both domestic and international sales and the inclusion of 1994 acquisitions.

Cost of services, consisting of payroll and related costs of temporary employees, increased 16.4% in the first quarter as compared to the same period in 1994. Average hourly payroll costs increased 7% over 1994 due to inflation and business mix.

The gross profit rate of 19.7% in the first quarter was .5 percentage points higher than the previous year. Continued improvement in U.S. temporary help margins has helped to offset pricing pressures in certain European countries.

Selling, general, and administrative expenses of \$104,305,000 in the first quarter increased 18.0% from the same period in 1994. This increase was due to the higher level of business activity, new programs and operating expenses incurred by new acquisitions.

Earnings before taxes were \$20,102,000, an increase of 34.9% compared to the pretax earnings for the same period in 1994. The pretax margin was 3.2% compared to 2.8% in the first quarter of 1994. Income taxes as a percentage of pretax earnings were 39.0%, 1.0 percentage point more than the rate applicable to the first quarter of 1994. The 1995 rate reflected the impact of the discontinuation of the targeted jobs tax credit program by the U.S. Government.

Net earnings were \$12,262,000 in the first quarter of 1995, compared to \$9,233,000 in 1994, an increase of 32.8%. Earnings per share were \$.32 compared to the \$.24 earned in the same period last year.

Financial Condition

Assets totaled \$675,046,000 at April 2, 1995, an increase of 5% over the \$642,098,000 at January 1, 1995. Working capital increased \$8,611,000 in the first quarter.

The quarterly dividend rate applicable to Class A and Class B shares was \$.18 and \$.16 per share in the first quarters of 1995 and 1994, respectively.

The Company believes it is in a sound financial position to fully meet its current working capital needs and its longer term capital requirements.

Companies for which this report is filed are: Kelly Services, Inc. and its subsidiaries, Kelly Assisted Living Services, Inc., Kelly Properties, Inc., Kelly Professional Services, Inc., Kelly Services (Canada), Ltd., Les Services Kelly (Quebec) Inc., Lenore Simpson Personnel, Ltd., Societe Services Kelly, Kelly Professional Services (France), Inc., 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., OK Personnel Service Holding SA, Kelly de Mexico, S.A. de C.V., Kelly Services Norge A.S., KSI Acquisition Corp., Kelly Pinpoint, Inc. and Your Staff, Inc.

The information furnished reflects all adjustments which are, in the opinion of management, necessary for a fair presentation of the results of operations for the period in this filing.

PART II. OTHER INFORMATION

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 11 of this filing.
- (b) No reports on Form 8-K were filed during the quarter for which this report is filed.

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 12, 1995

/s/ R. F. Stoner
R. F. Stoner

Senior Vice President and
Chief Financial Officer
(Principal Financial Officer and
Principal Accounting 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 October 3, 1993, filed with the Commission in November, 1993, which is incorporated herein by reference.)	
27	Financial Data Schedule	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.

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3-MOS	DEC-31-1995	APR-02-1995
		60,688
		155,440
		321,649
		7,570
		0
	556,799	130,737
	59,841	
	675,046	
232,344		0
		40,116
0		0
		402,586
675,046		0
	620,685	0
	498,667	
	0	
	0	
	0	
	20,102	
	7,840	
12,262		
	0	
	0	
		0
	12,262	
	.32	
	0	