

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

**FORM 8-K**

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

Date of Report (Date of earliest event reported): July 25, 2006

KELLY SERVICES, INC.

(Exact name of Registrant as specified in its charter)

<u>DELAWARE</u>	<u>0-1088</u>	<u>38-1510762</u>
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification Number)

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)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

**Item 2.02. Results of Operations and Financial Condition**

Kelly Services, Inc. (the "Company") today released financial information containing highlighted financial data for the three and six-month periods ended July 2, 2006. A copy of the press release is attached as exhibit 99.1 herein.

**Item 9.01. Financial Statements and Exhibits**

(d) Exhibits

99.1 Press Release dated July 25, 2006.

**SIGNATURES**

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

KELLY SERVICES, INC.

Date: July 25, 2006

/s/ William K. Gerber  
William K. Gerber

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

Date: July 25, 2006

/s/ Michael E. Debs  
Michael E. Debs

Senior Vice President and Corporate Controller  
(Principal Accounting Officer)

**EXHIBIT INDEX**

<b><u>Exhibit No.</u></b>	<b><u>Description</u></b>
99.1	Press release dated July 25, 2006



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**KELLY SERVICES REPORTS 36% INCREASE IN NET EARNINGS  
 FOR THE SECOND QUARTER OF 2006**

TROY, MI (July 25, 2006) — Kelly Services, Inc., a global provider of staffing services, today announced record revenue and a 36% increase in net earnings for the second quarter ended July 2, 2006.

Carl T. Camden, President and Chief Executive Officer, announced revenue for the second quarter of 2006 totaled \$1.416 billion, an 8.0% increase compared to the \$1.312 billion for the corresponding quarter in 2005. Revenue for the six-month period totaled \$2.776 billion, an 8.4% increase compared to the \$2.561 billion for the first six months of 2005.

Net earnings for the second quarter of 2006 totaled \$12.7 million, a 35.8% increase compared to \$9.3 million reported for the second quarter of 2005. Net earnings for the first six months of 2006 totaled \$21.2 million, a 60.0% increase compared to the \$13.3 million earned in the comparable period of 2005.

Diluted earnings per share in the second quarter of 2006 were \$0.35, an increase of 34.6% as compared to second quarter 2005 earnings of \$0.26 per share. Diluted earnings per share for the first six months of 2006 were \$0.59, a 59.5% increase compared to the \$0.37 per share earned last year.

Commenting on the results, Camden said, “We’re very pleased that we combined solid sales increases with improved operating efficiency to generate strong earnings growth.

“Our earnings before taxes were very strong and grew by nearly 62% during the second quarter. However, our net earnings after taxes increased at a lower rate of 36%, because our tax rate was significantly higher than last year. This was primarily due to the fact that legislation to retroactively extend Work Opportunity Credits for 2006 was not passed in the second quarter, as was originally expected. It is not unusual for the credits to be delayed, and we remain confident that this legislation will be passed before year end.

“Revenue in our U.S. Commercial segment, which accounted for 45% of total sales, increased 6.1% year over year in the second quarter. Operating earnings totaled \$33.6 million, an increase of 16.2% compared to last year.

“Revenue in our Professional, Technical, and Staffing Alternatives (PTSA) segment, which accounted for 21% of total sales, increased 4.3% year over year in the second quarter. Operating earnings totaled \$18.6 million and increased 14.1% on a year over year basis.

“Revenue in our International segment, which accounted for 34% of total sales, increased 13.0% year over year in the second quarter. Operating earnings totaled \$5.2 million, and increased 31.8% compared to last year.

“On a constant currency basis, International segment revenue increased 11.8% year over year in the second quarter. On a constant currency basis, total company revenue increased 7.6% year over year in the second quarter.

“Corporate expenses totaled \$36.0 million and increased 1.4% compared to last year. Operating earnings totaled \$21.3 million, and increased 56.7% on a year over year basis.”

Mr. Camden concluded, “We expect third quarter 2006 earnings to be in the range of \$0.43 to \$0.48, as compared to \$0.35 per share in the third quarter of 2005. This guidance includes a tax rate of approximately 26%, which assumes legislation to retroactively extend Work Opportunity Credits to the beginning of 2006 will be signed during the third quarter. For the full year, we continue to forecast earnings between \$1.50 and \$1.60 per share.”

In conjunction with its second quarter earnings release, Kelly Services, Inc. will host a conference call at 9:00 a.m. (ET) on July 25, 2006 to review the results and answer questions. The call may be accessed in one of the following ways:

Via the Telephone:

U.S.	1-800-230-1074
International	1-612-288-0340

The pass code is Kelly Services

Via the Internet:

The call is also available via the internet through the Kelly Services website:

[www.kellyservices.com](http://www.kellyservices.com)

This release contains statements that are forward looking in nature and accordingly, are subject to risks and uncertainties. These factors include: competition, changing market and economic conditions, currency fluctuations, changes in laws and regulations, including tax laws, and other factors discussed in this release and in the company’s filings with the Securities and Exchange Commission. Actual results may differ materially from any projections contained herein.

Kelly Services, Inc. (NASDAQ: KELYA, KELYB) is a Fortune 500 company headquartered in Troy, Mich., offering staffing solutions that include temporary staffing services, staff leasing, outsourcing, vendor on-site and full-time placement. Kelly operates in 30 countries and territories. Kelly provides employment to more than 700,000 employees annually, with skills including office services, accounting, engineering, information technology, law, science, marketing, light industrial, education, health care, and home care. Revenue in 2005 was \$5.3 billion. Visit [www.kellyservices.com](http://www.kellyservices.com).

**KELLY SERVICES, INC. AND SUBSIDIARIES**  
**STATEMENTS OF EARNINGS**  
**FOR THE 13 WEEKS ENDED JULY 2, 2006 AND JULY 3, 2005**  
**(UNAUDITED)**  
(In thousands of dollars except per share data)

	<u>2006</u>	<u>2005</u>	<u>Change</u>	<u>% Change</u>
<b>Revenue from services</b>	\$ 1,416,409	\$ 1,311,904	\$ 104,505	8.0 %
Cost of services	<u>1,186,186</u>	<u>1,097,802</u>	<u>88,384</u>	<u>8.1</u>
<b>Gross profit</b>	230,223	214,102	16,121	7.5
Selling, general and administrative expenses	<u>208,897</u>	<u>200,494</u>	<u>8,403</u>	<u>4.2</u>
<b>Earnings from operations</b>	21,326	13,608	7,718	56.7
Other income (expense), net	<u>465</u>	<u>(152)</u>	<u>617</u>	<u>405.9</u>
<b>Earnings before taxes</b>	21,791	13,456	8,335	61.9
Income taxes	<u>9,118</u>	<u>4,123</u>	<u>4,995</u>	<u>121.1</u>
<b>Net earnings</b>	<u>\$ 12,673</u>	<u>\$ 9,333</u>	<u>\$ 3,340</u>	<u>35.8 %</u>
<b>Basic earnings per share</b>	<u>\$ 0.35</u>	<u>\$ 0.26</u>	<u>\$ 0.09</u>	<u>34.6 %</u>
<b>Diluted earnings per share</b>	<u>\$ 0.35</u>	<u>\$ 0.26</u>	<u>\$ 0.09</u>	<u>34.6 %</u>

**STATISTICS:**

Gross profit rate	16.3 %	16.3 %	0.0 %
Expenses as a % of revenue	14.7	15.3	(0.6)
% Return - Earnings from operations	1.5	1.0	0.5
Earnings before taxes	1.5	1.0	0.5
Net earnings	0.9	0.7	0.2
Effective income tax rate	41.8 %	30.6 %	11.2 %
Average number of shares outstanding (thousands):			
Basic	35,943	35,597	
Diluted	36,198	35,841	

**KELLY SERVICES, INC. AND SUBSIDIARIES**  
**STATEMENTS OF EARNINGS**  
**FOR THE 26 WEEKS ENDED JULY 2, 2006 AND JULY 3, 2005**  
**(UNAUDITED)**  
(In thousands of dollars except per share data)

	<u>2006</u>	<u>2005</u>	<u>Change</u>	<u>% Change</u>
<b>Revenue from services</b>	\$ 2,776,498	\$ 2,561,239	\$ 215,259	8.4 %
Cost of services	<u>2,326,913</u>	<u>2,143,053</u>	<u>183,860</u>	<u>8.6</u>
<b>Gross profit</b>	449,585	418,186	31,399	7.5
Selling, general and administrative expenses	<u>414,822</u>	<u>398,483</u>	<u>16,339</u>	<u>4.1</u>
<b>Earnings from operations</b>	34,763	19,703	15,060	76.4
Other income (expense), net	<u>505</u>	<u>(187)</u>	<u>692</u>	<u>370.1</u>
<b>Earnings before taxes</b>	35,268	19,516	15,752	80.7
Income taxes	<u>14,037</u>	<u>6,245</u>	<u>7,792</u>	<u>124.8</u>
<b>Net earnings</b>	<u>\$ 21,231</u>	<u>\$ 13,271</u>	<u>\$ 7,960</u>	<u>60.0 %</u>
<b>Basic earnings per share</b>	<u>\$ 0.59</u>	<u>\$ 0.37</u>	<u>\$ 0.22</u>	<u>59.5 %</u>
<b>Diluted earnings per share</b>	<u>\$ 0.59</u>	<u>\$ 0.37</u>	<u>\$ 0.22</u>	<u>59.5 %</u>

**STATISTICS:**

Gross profit rate	16.2 %	16.3 %	(0.1) %
Expenses as a % of revenue	14.9	15.6	(0.7)
% Return - Earnings from operations	1.3	0.8	0.5
Earnings before taxes	1.3	0.8	0.5
Net earnings	0.8	0.5	0.3
Effective income tax rate	39.8 %	32.0 %	7.8 %
Average number of shares outstanding (thousands):			
Basic	35,907	35,566	
Diluted	36,187	35,957	



**KELLY SERVICES, INC. AND SUBSIDIARIES**  
**RESULTS OF OPERATIONS BY SEGMENT**  
**(UNAUDITED)**

(In thousands of dollars)

	Second Quarter			
	2006	2005	Change	% Change
<b>Revenue from Services:</b>				
U.S. Commercial Staffing	\$ 639,213	\$ 602,425	\$ 36,788	6.1 %
PTSA	293,085	280,964	12,121	4.3
International	484,111	428,515	55,596	13.0
Consolidated Total	<u>\$ 1,416,409</u>	<u>\$ 1,311,904</u>	<u>\$ 104,505</u>	<u>8.0 %</u>
<b>Earnings from Operations:</b>				
U.S. Commercial Staffing	\$ 33,553	\$ 28,877	\$ 4,676	16.2 %
PTSA	18,552	16,253	2,299	14.1
International	5,178	3,929	1,249	31.8
Corporate Expense	(35,957)	(35,451)	(506)	(1.4)
Consolidated Total	<u>\$ 21,326</u>	<u>\$ 13,608</u>	<u>\$ 7,718</u>	<u>56.7 %</u>

	June Year to Date			
	2006	2005	Change	% Change
<b>Revenue from Services:</b>				
U.S. Commercial Staffing	\$ 1,258,056	\$ 1,167,939	\$ 90,117	7.7 %
PTSA	591,598	553,386	38,212	6.9
International	926,844	839,914	86,930	10.3
Consolidated Total	<u>\$ 2,776,498</u>	<u>\$ 2,561,239</u>	<u>\$ 215,259</u>	<u>8.4 %</u>
<b>Earnings from Operations:</b>				
U.S. Commercial Staffing	\$ 63,088	\$ 54,278	\$ 8,810	16.2 %
PTSA	37,823	30,808	7,015	22.8
International	8,499	3,977	4,522	113.7
Corporate Expense	(74,647)	(69,360)	(5,287)	(7.6)
Consolidated Total	<u>\$ 34,763</u>	<u>\$ 19,703</u>	<u>\$ 15,060</u>	<u>76.4 %</u>

Note: Earnings from Operations for 2005 were reclassified to reflect the chargeback of payroll, billing and accounts receivable costs previously included in Corporate Expense to the U.S. Commercial, PTSA and International segments. This change did not affect Consolidated Total Earnings from Operations.

**KELLY SERVICES, INC. AND SUBSIDIARIES**  
**RECONCILIATION OF CONSTANT CURRENCY**  
**REVENUE FROM SERVICES TO REPORTED REVENUE FROM SERVICES**  
**(UNAUDITED)**  
(In thousands of dollars)

	<b>Second Quarter</b>			
	<u>2006</u>	<u>2005</u>	<u>Change</u>	<u>% Change</u>
U.S. Commercial	\$ 639,213	\$ 602,425	\$ 36,788	6.1 %
PTSA	293,085	280,964	12,121	4.3
International - constant currency*	479,169	428,515	50,654	11.8
Revenue from services - constant currency	1,411,467	1,311,904	99,563	7.6 %
Foreign currency impact	4,942		4,942	
Revenue from services	<u>\$ 1,416,409</u>	<u>\$ 1,311,904</u>	<u>\$ 104,505</u>	<u>8.0 %</u>

	<b>June Year to Date</b>			
	<u>2006</u>	<u>2005</u>	<u>Change</u>	<u>% Change</u>
U.S. Commercial	\$ 1,258,056	\$ 1,167,939	\$ 90,117	7.7 %
PTSA	591,598	553,386	38,212	6.9
International - constant currency*	942,430	839,914	102,516	12.2
Revenue from services - constant currency	2,792,084	2,561,239	230,845	9.0 %
Foreign currency impact	(15,586)		(15,586)	
Revenue from services	<u>\$ 2,776,498</u>	<u>\$ 2,561,239</u>	<u>\$ 215,259</u>	<u>8.4 %</u>

\* Information on constant currencies is provided to allow investors to separate the impact of foreign currency translations on reported results. Constant currency results are calculated by translating the current year results at prior year average exchange rates.

**KELLY SERVICES, INC. AND SUBSIDIARIES**  
**BALANCE SHEETS**  
**(UNAUDITED)**  
(In thousands of dollars)

	<u>July 2, 2006</u>	<u>January 1, 2006</u>	<u>July 3, 2005</u>
<b>Current Assets</b>			
Cash and equivalents	\$ 72,309	\$ 63,699	\$ 65,042
Short-term investments	252	154	214
Trade accounts receivable, less allowances of \$17,709, \$16,648 and \$16,724, respectively	844,175	803,812	756,951
Prepaid expenses and other current assets	44,198	47,434	46,489
Deferred taxes	<u>31,227</u>	<u>33,805</u>	<u>39,987</u>
Total current assets	992,161	948,904	908,683
<b>Property and Equipment, Net</b>	161,437	165,757	171,161
<b>Noncurrent Deferred Taxes</b>	20,819	22,088	19,662
<b>Goodwill, Net</b>	96,043	88,217	88,431
<b>Other Assets</b>	<u>107,070</u>	<u>87,891</u>	<u>83,794</u>
<b>Total Assets</b>	<u>\$ 1,377,530</u>	<u>\$ 1,312,857</u>	<u>\$ 1,271,731</u>
<b>Current Liabilities</b>			
Short-term borrowings	\$ 54,789	\$ 56,644	\$ 56,449
Accounts payable	114,298	110,411	107,133
Accrued payroll and related taxes	277,379	263,112	236,030
Accrued insurance	33,793	34,097	33,537
Income and other taxes	<u>59,572</u>	<u>56,651</u>	<u>69,779</u>
Total current liabilities	539,831	520,915	502,928
<b>Noncurrent Liabilities</b>			
Accrued insurance	54,350	54,517	59,451
Accrued retirement benefits	61,008	57,443	53,988
Other long-term liabilities	<u>14,130</u>	<u>7,939</u>	<u>7,731</u>
Total noncurrent liabilities	129,488	119,899	121,170
<b>Stockholders' Equity</b>			
Common stock	40,116	40,116	40,116
Treasury stock	(87,335)	(90,919)	(94,789)
Paid-in capital	27,250	27,015	24,414
Earnings invested in the business	701,997	688,033	669,198
Accumulated other comprehensive income	<u>26,183</u>	<u>7,798</u>	<u>8,694</u>
Total stockholders' equity	708,211	672,043	647,633
<b>Total Liabilities and Stockholders' Equity</b>	<u>\$ 1,377,530</u>	<u>\$ 1,312,857</u>	<u>\$ 1,271,731</u>
<b>STATISTICS:</b>			
Working Capital	\$ 452,330	\$ 427,989	\$ 405,755
Current Ratio	1.8	1.8	1.8
Debt-to-capital %	7.2 %	7.8 %	8.0 %
<b>Global Days Sales Outstanding</b>			
Quarter	54	53	53
Year-to-date	55	55	54

**KELLY SERVICES, INC. AND SUBSIDIARIES**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE 26 WEEKS ENDED JULY 2, 2006 AND JULY 3, 2005**  
**(UNAUDITED)**  
(In thousands of dollars)

	<u>2006</u>	<u>2005</u>
<b>Cash flows from operating activities</b>		
Net earnings	\$ 21,231	\$ 13,271
Noncash adjustments:		
Depreciation and amortization	20,610	21,128
Stock-based compensation	2,246	1,163
Increase in trade accounts receivable, net	(20,191)	(53,222)
Changes in other operating assets and liabilities	16,065	26,334
<b>Net cash from operating activities</b>	<u>39,961</u>	<u>8,674</u>
<b>Cash flows from investing activities</b>		
Capital expenditures	(14,563)	(12,726)
(Increase) decrease in short-term investments	(97)	1,142
Increase in other assets	(364)	(8,503)
Acquisition of company, net of cash received	(4,469)	-
Investment in unconsolidated affiliate	-	(18,450)
<b>Net cash from investing activities</b>	<u>(19,493)</u>	<u>(38,537)</u>
<b>Cash flows from financing activities</b>		
(Decrease) increase in short-term borrowings	(4,016)	7,161
Dividend payments	(7,267)	(7,112)
Stock options and other stock sales	1,526	1,745
Other financing activities	(2,692)	(2,428)
Financing to fund long-term investment in unconsolidated affiliate	-	18,450
<b>Net cash from financing activities</b>	<u>(12,449)</u>	<u>17,816</u>
<b>Effect of exchange rates on cash and equivalents</b>	<u>591</u>	<u>(2,259)</u>
<b>Net change in cash and equivalents</b>	8,610	(14,306)
<b>Cash and equivalents at beginning of period</b>	<u>63,699</u>	<u>79,348</u>
<b>Cash and equivalents at end of period</b>	<u>\$ 72,309</u>	<u>\$ 65,042</u>