



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 temporary help service business. During the last fiscal year, registrant continued to provide temporary help services and other staffing and human resources services to a diversified group of customers.

(b) Financial Information about Industry Segments. Registrant operates in a single industry segment of providing temporary help 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 temporary office clerical, marketing, technical, light industrial, home care services to those who need help with their daily living needs and personal care, managed services, testing and training and other business services to a diversified group of customers through offices located in major cities of the United States, Australia, Canada, Mexico, England, France, Ireland, The Netherlands, Denmark, New Zealand, Norway, Scotland, and Wales. Although registrant operates in a single industry segment, these services are generally furnished under the name of Kelly Temporary Services, with the following specific services provided: office clerical, marketing, technical, semi-skilled light industrial, managed services, skills testing and computer-based training. Staff leasing services are provided in California through Your Staff, a subsidiary of the 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. Registrant performs these services through its temporary employees by assigning them to work on the premises of registrant's customers.

The temporary 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 only one flat 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 over 185,000 customers, including the largest industrial corporations in the world, have used 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.

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Registrant operates through approximately 900 offices located in all 50 states, the District of Columbia, Puerto Rico, Australia, Mexico, Canada, England, France, Ireland, The Netherlands, Denmark, New Zealand, Norway, Scotland, and Wales. These offices may be classified as offices operated directly by registrant (or one of its wholly owned subsidiaries) and offices operated by licensees. Each office provides the services of one or more of the divisions or subsidiaries. Approximately ninety-nine percent of the offices are operated directly by registrant (or one of its wholly owned subsidiaries). The remaining offices are operated by 10 licensees.

(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 several service marks, which are registered with the United States Patent and Trade Mark Office and in a number of foreign countries. The most significant mark is "Kelly Girl", which has indeterminate duration.

(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 temporary help 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 suppliers of temporary help services in the United States. Several companies which operate nationally offer services competitive to those provided by registrant, and a large number of organizations operating regionally or locally compete in varying degrees in different localities where registrant operates branch offices. The most significant competitive factors are price and service to customers in the form of timely, efficient and reliable temporary help.

(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 affected by federal, state and local provisions regulating the discharge of materials into the environment.

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(xiii) Employees. Registrant and subsidiaries employ on a full time basis approximately 800 persons at its headquarters in Troy, Michigan, and approximately 3,500 persons in branch offices operated directly by registrant. Registrant employed in the last fiscal year 630,000 men and women for temporary periods. As the employer, registrant is responsible for and pays Social Security taxes, workers' compensation, federal and state unemployment compensation taxes, liability insurance and other similar costs, and is responsible for payroll deductions of Social Security and income taxes. Although the work may be done in the office of the registrant's customer, registrant retains the right of control over its employees, including their assignment and reassignment.

(d) Foreign Operations. Registrant operates in major cities in Australia, Canada, Mexico, England, France, Ireland, The Netherlands, Denmark, New Zealand, Norway, Scotland, and Wales; sales for these operations totalled \$235,000,000 in 1993, \$225,000,000 in 1992 and \$189,000,000 in 1991; operating losses totalled \$2,500,000 in 1993, \$5,600,000 in 1992 and \$4,100,000 in 1991. Identifiable assets of these foreign operations were \$70,900,000, \$69,300,000 and \$65,700,000 at the end of 1993, 1992 and 1991, respectively.

## 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 an adjacent building that was purchased in 1991. The combined floor space for the headquarters complex approximates 175,000 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 direct operated branches 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.

The Internal Revenue Service (IRS) has proposed the imposition of an accumulated earnings tax totalling \$49 million for 1988, 1989 and 1990 in connection with an audit of the Company's consolidated federal tax liability. The Company believes that there is no factual or legal basis for the imposition of any accumulated earnings tax and that the Company is fully justified in making provision to meet the needs of Kelly's expanding business operations. Moreover, tax counsel has advised that a substantial portion of the IRS proposal results from computational and clerical errors in the calculation of the tax. The Company is defending its position through the IRS appeal process and into the courts if necessary. In the opinion of the Company, the ultimate resolution of this issue will not materially affect its financial statements.

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 1993.

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PART II

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
1993					
-----					
Stock Prices					
Class A common					
High . . . . .	\$36 5/8	\$32 5/8	\$33 1/2	\$29 1/2	\$36 5/8
Low . . . . .	30 5/8	24 1/4	23	22	22
Class B common					
High . . . . .	34 1/4	32 7/8	33	31	34 1/4
Low . . . . .	31 5/8	27	27	27	27
Dividends . . . . .	.152	.160	.160	.160	.632
1992					
-----					
Stock Prices					
Class A common					
High . . . . .	30 3/8	29 3/4	27 3/8	35	35
Low . . . . .	22 1/4	22 3/4	22 1/4	26 1/4	22 1/4
Class B common					
High . . . . .	29 5/8	28	27 5/8	34 3/8	34 3/8
Low . . . . .	24	26	24 3/8	25 5/8	24
Dividends . . . . .	.144	.144	.144	.152	.584

\* Adjusted for the 5-for-4 stock split of May, 1993.

The approximate number of holders of record of the Class A and Class B common stock, par value \$1.00, of registrant were 1,323 and 320, respectively, as of March 1, 1994.

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ITEM 6. SELECTED FINANCIAL DATA.

The following table summarizes selected financial information of Kelly Services, Inc. and its subsidiaries for each of the six fiscal years ended January 2, 1994. 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)					
	1993	1992	1991	1990	1989	1988
(2)						
Sales of services . . . .	\$1,954.5	\$1,712.7	\$1,424.3	\$1,456.3	\$1,364.9	\$1,262.1
Earnings before taxes . .	70.9	61.0	60.2	113.0	112.9	99.3
Net earnings. . . . .	44.6	39.2	38.6	71.2	70.8	60.3
(3)						
Per share data :						
Earnings . . . . .	\$ 1.18	\$ 1.04	\$ 1.03	\$ 1.89	\$ 1.89	\$ 1.61
Dividends . . . . .						
Class A common. . . .	.63	.58	.57	.53	.46	.38
Class B common. . . .	.63	.58	.57	.53	.46	.38
Working capital . . . . .	\$ 291.2	\$ 279.8	\$ 287.0	\$ 287.2	\$ 243.4	\$ 195.7
Total assets. . . . .	542.1	496.1	479.4	443.8	394.3	326.4

<FN>

- (1) Fiscal year included 53 weeks.
- (2) Sales of services has been adjusted to exclude interest income.
- (3) Adjusted for the 5-for-4 stock split of May, 1993.

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

Results of Operations

1993 versus 1992

Sales of services reached a record level of nearly \$2 billion in 1993, an increase of 14% over sales of \$1.7 billion in 1992 (a 53-week year). Excluding the 53rd week from the previous year, the 1993 sales were 16% over 1992. This improvement was attributable principally to increases in domestic sales volume. International sales also reflected a strong increase; however, the strengthening of the U.S. dollar moderated those results.

Cost of services, representing payroll and related taxes and benefits for temporary employees, increased 15% over 1992. Strong sales volume and increases in pay rates and payroll taxes accounted for this change. Competitive pressures during 1993 were reflected in margins as gross profit rates declined from 19.9% in 1992 to 19.5% in 1993. The trend in margins during the last half of 1993 was positive, however.

Selling, general and administrative expenses rose 10% during 1993. As a percent of sales, administrative expenses declined from 16.9% to 16.2% in 1993, the lowest rate in the Company's history. Branch automation has proven to be an effective tool in achieving this productivity.

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Earnings from operations this year totalled \$63.9 million, an increase of 25% over 1992. The 1993 results, after restating the 1992 results to exclude the 53rd week, were 31% over last year.

Interest income for 1993 was \$7 million, down 29% from the 1992 level of \$9.8 million. The combination of a smaller investment portfolio and a reduction in the interest rates accounted for the decline in interest income during the year.

Earnings before taxes were \$70.9 million, an increase of 16%. Pretax margins were 3.6% for both 1993 and 1992. Income taxes increased 21% over 1992, with an effective tax rate of 37.1%, compared to a 35.7% rate in 1992. The current year tax rate rose as a result of the federal statutory rate increase and a reduction in tax exempt interest income.

Net earnings were \$44.6 million for 1993, 14% above the 1992 results of \$39.2 million. The rate of return on sales was 2.3% in both years. Earnings per share were \$1.18 in 1993 and \$1.04 in 1992. The 53rd week added \$.04 to earnings per share in 1992. The per share amounts have been adjusted for the five-for-four stock split in 1993.

1992 versus 1991

Sales of services increased 20% in 1992, reflecting improved business conditions. Cost of services increased 23% in 1992, reflecting greater sales volume and increases in pay rates and benefits. Competitive market pressures precluded these additional costs from being fully recovered by price increases. As a result, gross profit margins were 1.8 percentage points below the previous year. Selling, general and administrative expenses rose 10% in 1992. Expenses as a percentage of sales were 16.9% in 1992, compared to 18.4% in 1991. Interest income for 1992 totaled \$9.8 million, down 28% from 1991 results. Lower interest rates, along with a decline in funds available for investment, accounted for the reduction in interest income.

Earnings before taxes were \$61 million, an increase of 1.3% over 1991. Pretax margins were 3.6% in 1992 and 4.2% in 1991. The effective income tax rate on pretax earnings was 35.7%, compared to 35.9% in 1991.

Net earnings were \$39.2 million in 1992, an increase of 1.6% over 1991 earnings of \$38.6 million. Earnings per common share were \$1.04 in 1992 versus \$1.03 per share in 1991. The per share amounts have been adjusted for the five-for-four stock split in 1993.

Liquidity and Capital Resources

Cash flow from operations for 1993 was \$44.9 million. Funds were used for additional working capital needs, cash dividends, the purchase of capital equipment and investments in acquisitions and other business expansion. Cash provided from operations totaled \$12.2 million in 1992 and \$58.5 million in 1991. The Company has used most of these funds in its operations and payments of dividends.

The Company's working capital of \$291 million increased 4% during the year, after a 2.5% decline in 1992 and no change in 1991. The current ratios were 2.9, 3.2 and 3.3 in 1993, 1992 and 1991, respectively.

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Stockholders' equity grew 5% in 1993, which was higher than the 3% increase reported in 1992 and equal to the 5% increase of 1991. The return on average stockholders' equity was 11.8% this year, an improvement over the previous two years' rates of 10.9% in 1992 and 11.1% in 1991. A five-for-four stock split was approved by the Board of Directors in May, 1993. Equity per share at year-end was \$10.23 at 1993, \$9.74 at 1992 and \$9.43 at 1991. Dividends per share over the past three years were \$.63 in 1993, \$.58 in 1992 and \$.57 in 1991. The Company believes that its strong financial position, including the absence of any long-term debt, will allow it to meet new capital requirements as well as to aggressively pursue growth opportunities.

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 13 of this filing and are presented in pages 14-25.

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 9, (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 (2)	Business Experience During Last 5 Years
William R. Kelly Chairman of the Board	88	1952	Served as officer of registrant.
Terence E. Adderley (1) President	60	1961	Served as officer of registrant.
Robert G. Barranco Senior Vice President and General Manager, Kelly Temporary Services Division	53		Served as officer of operating division since March, 1991. Prior thereto, served as officer of registrant.
Donald A. Bobo Senior Vice President and General Manager, Kelly Temporary Services Division	52		Served as officer of operating division since April, 1992. Prior thereto, served as Vice President of Staff Services at John Labatt Foods.
Carolyn R. Fryar Senior Vice President and General Manager, Kelly Temporary Services Division	51		Served as officer of operating division.
Eugene L. Hartwig Senior Vice President, General Counsel and Secretary	60	1990	Served as officer of registrant since March, 1990. Prior thereto, served as of counsel with Butzel Long.
Joanne E. Start Senior Vice President	49	1989	Served as officer of registrant.
Robert F. Stoner Senior Vice President	60	1969	Served as officer of registrant.

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ITEM 10  
EXECUTIVE OFFICERS OF THE REGISTRANT

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(continued)

Name/Officer	Age	Served as an Officer Since (2)	Business Experience During Last 5 Years
Noel S. Wheeler Senior Vice President and Managing Director, Kelly Temporary Services Division (International)	53		Served as officer of operating division since January, 1991. Prior thereto, served as an officer of registrant.

<FN>

- (1) Mr. Adderley is Mr. William R. Kelly's son.  
(2) Each officer serves continuously until removed 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

Balance Sheets at January 2, 1994, January 3, 1993 and  
December 29, 1991

Statements of Earnings for the three fiscal years ended  
January 2, 1994

Statements of Cash Flows for the three fiscal years ended  
January 2, 1994

Statements of Stockholders' Equity for the three fiscal years ended  
January 2, 1994

Notes to Financial Statements

2. Financial Statement Schedules -

As of January 2, 1994:

I - Marketable Securities -- Other Investments

For the three fiscal years ended January 2, 1994:



VIII - Valuation Reserves

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 26 which is incorporated herein by reference.

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

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, 1994.

- (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 Schedules beginning at page 26 of this filing.
- (d) The Index to Financial Statements and Supplemental Schedules are included following the signatures beginning at page 13 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 11, 1994

KELLY SERVICES, INC.  
Registrant

By /s/ R. F. Stoner

-----  
R. F. Stoner  
Senior 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 11, 1994

\* W. R. Kelly

-----  
W. R. Kelly  
Chairman of the Board

Date: March 11, 1994

\* T. E. Adderley

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

Date: March 11, 1994

\* C. V. Fricke

-----  
C. V. Fricke  
Director

Date: March 11, 1994

\* H. E. Guenther

-----  
H. E. Guenther  
Director

Date: March 11, 1994

\* V. G. Istock

-----  
V. G. Istock

Director

Date: March 11, 1994

/s/ R. F. Stoner

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R. F. Stoner  
Senior Vice President and  
Chief Financial Officer  
(Principal Financial Officer and  
Principal Accounting Officer)

Date: March 11, 1994

\*By /s/ R. F. Stoner

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R. F. Stoner  
Attorney-in-Fact

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INDEX TO FINANCIAL STATEMENTS AND  
SUPPLEMENTAL SCHEDULES

Kelly Services, Inc. and Subsidiaries

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Schedule I - Marketable Securities-- Other Investments	24
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REPORT OF INDEPENDENT ACCOUNTANTS

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

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of earnings, of stockholders' equity and of cash flows present fairly, in all material respects, the financial position of Kelly Services, Inc. and its subsidiaries at January 2, 1994, January 3, 1993 and December 29, 1991, and the results of their operations and their cash flows for the years then ended, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's

management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards 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/ Price Waterhouse  
 -----  
 Price Waterhouse  
 Detroit, Michigan  
 February 3, 1994

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BALANCE SHEETS  
 Kelly Services, Inc. and Subsidiaries

	1993	1992	1991
	-----	-----	-----
	(In thousands of dollars)		
<b>ASSETS</b>			
Current Assets			
Cash and equivalents . . . . .	\$ 36,020	\$ 29,700	\$ 41,283
Short-term investments . . . . .	144,988	154,602	186,173
Accounts receivable, less allowances of \$4,735, \$3,775 and \$3,180, respectively. .	248,161	209,045	170,819
Prepaid expenses and other current assets. .	17,881	15,225	13,195
	-----	-----	-----
Total current assets. . . . .	447,050	408,572	411,470
Property and Equipment			
Land and buildings . . . . .	29,882	23,794	20,899
Equipment, furniture and leasehold improvements . . . . .	82,227	83,475	59,822
Accumulated depreciation . . . . .	(43,827)	(37,920)	(29,221)
	-----	-----	-----
Total property and equipment. . . . .	68,282	69,349	51,500
Other Assets . . . . .	26,768	18,154	16,433
	-----	-----	-----
Total Assets . . . . .	\$ 542,100	\$ 496,075	\$ 479,403
	=====	=====	=====
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
Current Liabilities			
Accounts payable . . . . .	\$ 24,621	\$ 13,100	\$ 24,017
Payroll and related taxes . . . . .	68,451	53,986	43,082
Accrued insurance. . . . .	51,841	48,855	48,250
Income and other taxes . . . . .	10,968	12,875	9,097
	-----	-----	-----
Total current liabilities . . . . .	155,881	128,816	124,446
Stockholders' Equity			
Capital stock, \$1.00 par value			
Class A common stock, shares issued 36,507 in 1993, 29,195 in 1992 and 29,187 in 1991 . . . . .	36,507	29,195	29,187
Class B common stock, shares issued 3,609 in 1993, 2,898 in 1992 and 2,906 in 1991 . . . . .	3,609	2,898	2,906
Treasury stock, at cost			
Class A common stock, 2,361 shares in 1993, 1,928 in 1992 and 1,994 in 1991. .	(6,702)	(6,736)	(6,462)
Paid-in capital. . . . .	679	3,629	1,821
Earnings invested in the business. . . . .	352,126	338,273	327,505
	-----	-----	-----

Total stockholders' equity. . . . .	386,219	367,259	354,957
	-----	-----	-----
Total Liabilities and Stockholders' Equity . .	\$ 542,100	\$ 496,075	\$ 479,403
	=====	=====	=====

<FN>  
See accompanying Notes to Financial Statements.

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STATEMENTS OF EARNINGS  
Kelly Services, Inc. and Subsidiaries

	1993	(1) 1992	1991
	-----	-----	-----
	(In thousands of dollars except per share items)		
Sales of services. . . . .	\$ 1,954,534	\$ 1,712,726	\$ 1,424,309
Cost of services . . . . .	1,573,797	1,372,387	1,115,635
	-----	-----	-----
Gross profit . . . . .	380,737	340,339	308,674
Selling, general and administrative expenses . .	316,838	289,114	262,000
	-----	-----	-----
Earnings from operations . . . . .	63,899	51,225	46,674
Interest income . . . . .	6,960	9,800	13,575
	-----	-----	-----
Earnings before income taxes . . . . .	70,859	61,025	60,249
Income taxes:			
Federal . . . . .	20,595	16,840	16,605
State and other . . . . .	5,705	4,960	5,025
	-----	-----	-----
Total income taxes . . . . .	26,300	21,800	21,630
	-----	-----	-----
Net earnings . . . . .	\$ 44,559	\$ 39,225	\$ 38,619
	=====	=====	=====
Earnings per share . . . . .	\$1.18	\$1.04	\$1.03
Dividends per share . . . . .	\$ .63	\$ .58	\$ .57
Average shares outstanding (thousands) . . . . .	37,728	37,668	37,616

<FN>  
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

	1993	(1) 1992	1991
	-----	-----	-----
	(In thousands of dollars)		
Cash flows from operating activities			
Net earnings . . . . .	\$ 44,559	\$ 39,225	\$ 38,619
Noncash adjustments:			
Depreciation . . . . .	16,614	13,977	9,805
Changes in certain working capital components.	(16,300)	(41,023)	10,066
	-----	-----	-----
Net cash from operating activities . . . . .	44,873	12,179	58,490

Cash flows from investing activities			
Capital expenditures . . . . .	(16,056)	(32,449)	(23,509)
Short-term investments . . . . .	9,614	31,571	(65,422)
Increase in other assets . . . . .	(9,296)	(2,419)	(3,620)
	-----	-----	-----
Net cash from investing activities . . . . .	(15,738)	(3,297)	(92,551)
Cash flows from financing activities			
Dividend payments . . . . .	(23,846)	(21,999)	(21,666)
Exercise of stock options . . . . .	1,049	1,617	474
Fractional shares paid . . . . .	(18)	--	--
Purchase of treasury stock . . . . .	--	(83)	(101)
	-----	-----	-----
Net cash from financing activities . . . . .	(22,815)	(20,465)	(21,293)
Net change in cash and equivalents . . . . .	6,320	(11,583)	(55,354)
Cash and equivalents at beginning of year . . . . .	29,700	41,283	96,637
	-----	-----	-----
Cash and equivalents at end of year . . . . .	\$ 36,020	\$ 29,700	\$ 41,283
	=====	=====	=====

<FN>

See accompanying Notes to Financial Statements.

(1) Fiscal year included 53 weeks.

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

	1993	(1) 1992	1991
	-----	-----	-----
	(In thousands of dollars)		
Capital Stock			
Class A common stock			
Balance at beginning of year . . . . .	\$ 29,195	\$ 29,187	\$ 29,176
Five-for-four stock split . . . . .	7,301	--	--
Conversions from Class B . . . . .	11	8	11
	-----	-----	-----
Balance at end of year . . . . .	36,507	29,195	29,187
Class B common stock			
Balance at beginning of year . . . . .	2,898	2,906	2,917
Five-for-four stock split . . . . .	722	--	--
Conversions to Class A . . . . .	(11)	(8)	(11)
	-----	-----	-----
Balance at end of year . . . . .	3,609	2,898	2,906
Treasury Stock			
Balance at beginning of year . . . . .	(6,736)	(6,462)	(6,321)
Exercise of stock options . . . . .	34	(191)	(40)
Purchase of treasury stock . . . . .	--	(83)	(101)
	-----	-----	-----
Balance at end of year . . . . .	(6,702)	(6,736)	(6,462)
Paid-in Capital			
Balance at beginning of year . . . . .	3,629	1,821	1,307
Five-for-four stock split . . . . .	(3,965)	--	--
Exercise of stock options . . . . .	1,015	1,808	514
	-----	-----	-----
Balance at end of year . . . . .	679	3,629	1,821
Earnings Invested in the Business			
Balance at beginning of year . . . . .	338,273	327,505	310,748
Net earnings . . . . .	44,559	39,225	38,619
Cash dividends . . . . .	(23,846)	(21,999)	(21,666)
Five-for-four stock split . . . . .	(4,058)	--	--
Fractional shares paid . . . . .	(18)	--	--
Equity adjustment for foreign currency translation; cumulative charge of \$6,513 in 1993 and \$3,729 in 1992; credit of \$2,729 in 1991 . . . . .	(2,784)	(6,458)	(196)
	-----	-----	-----

Balance at end of year . . . . .	352,126	338,273	327,505
Stockholders' Equity at end of year. . . . .	\$386,219	\$367,259	\$354,957
	=====	=====	=====

<FN>  
See accompanying Notes to Financial Statements.  
(1) Fiscal year included 53 weeks.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company's fiscal year ends on the Sunday nearest to December 31. The three most recent years ended at January 2, 1994 (1993), January 3, 1993 (1992) and December 29, 1991. The current fiscal year is a 52-week period, while 1992 was a 53-week period and 1991 included 52 weeks.

The Company operates in the single industry segment of providing temporary help services to a diversified group of customers.

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 accounts of the Company's international operations are translated at appropriate rates of exchange. The Company's international operations are conducted in Canada, Europe, Australia, New Zealand and Mexico. Sales for these operations totalled \$235,000 in 1993, \$225,000 in 1992 and \$189,000 in 1991; operating losses totalled \$2,500 in 1993, \$5,600 in 1992, and \$4,100 in 1991. Identifiable assets are \$70,900, \$69,300 and \$65,700 at the end of 1993, 1992 and 1991, respectively.

Cash and equivalents include highly liquid debt instruments purchased with original maturities of three months or less. Short-term investments include debt instruments having an original maturity of more than three months and are stated at cost and accrued interest, which approximates market.

Properties are stated at cost and include expenditures for additions and major improvements. 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.

Earnings per share are based on the average number of Class A and Class B common shares outstanding during the year. All per share and share data in the accompanying financial statements and notes have been restated to give effect to stock splits.

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

OTHER ASSETS

Other assets include \$17,900, \$12,100 and \$12,700 of intangible assets at January 2, 1994, January 3, 1993 and December 29, 1991, respectively, representing primarily the cost over net assets of businesses acquired. These intangible assets are being amortized over periods not exceeding 40 years. Other balances in this account include deposits and cash values of company owned life insurances.

NOTES TO FINANCIAL STATEMENTS  
(In thousands of dollars except share and per share items)

(continued)

#### CAPITALIZATION AND STOCK SPLITS

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.

In May 1993, the Board of Directors declared a five-for-four split of the Class A and Class B common stock. At the same time the Board increased the number of authorized Class A shares to 100,000,000, from 50,000,000.

#### RETIREMENT BENEFITS

The Company provides a qualified defined contribution plan covering substantially all full-time employees, excepting 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 and Company matching contributions. Assets of this plan are held in trust for the sole benefit of employees.

For officers and certain other management employees, the Company provides a nonqualified defined contribution plan. 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.

The cost of retirement benefits totalled \$3,430 in 1993, \$3,365 in 1992 and \$3,092 in 1991.

#### LEASE COMMITMENTS

The Company conducts its field operations primarily in leased facilities. The following are future minimum lease commitments for the five-year period commencing 1994: \$23,800, \$17,700, \$12,100, \$8,100 and \$5,300. Lease expenses for the fiscal years 1993, 1992, and 1991 were \$24,900, \$24,400 and \$24,400, respectively.

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#### NOTES TO FINANCIAL STATEMENTS

(In thousands of dollars except share and per share items)  
(continued)

#### PERFORMANCE INCENTIVE PLAN

In May 1992, the stockholders approved the Performance Incentive Plan (the "Plan") to replace the Incentive Stock Option Plan which expired earlier that year. Under the Plan, stock options (both incentive and nonqualified), Stock Appreciation Rights (SARs), restricted awards, and performance awards may be granted 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 5 percent of the outstanding Class A stock, adjusted for Plan activity over the preceding 5 years.

As of January 2, 1994, no SARs, restricted awards, or performance awards have been granted under the Plan.

The combined 1993 activity under the two plans identified above is as follows:

Option Activity	Number of Class A Shares	Exercise Price Range Per Share
-----	-----	-----
Outstanding at beginning		
of year . . . . .	158,040	\$21.60 - \$33.80
Granted . . . . .	367,271	\$24.75 - \$33.60
Exercised . . . . .	(53,653)	\$21.60 - \$22.60
Cancelled . . . . .	(16,300)	\$21.60 - \$29.20
	-----	
Outstanding at end of year. .	455,358	\$21.92 - \$33.80
	=====	

At the end of 1993, there were 1,319,609 shares available for future grants.

NOTES TO FINANCIAL STATEMENTS  
(In thousands of dollars except share and per share items)  
(continued)

INCOME TAXES

In January 1993, the Company adopted Statement of Financial Accounting Standards No. 109 (SFAS 109), Accounting for Income Taxes. Previously the Company used SFAS 96. Financial statements for prior years have not been restated and the cumulative effect of the accounting change was not material.

The following summarizes the differences between income taxes for financial reporting purposes and the United States statutory tax rate for the years 1993, 1992 and 1991.

	1993	1992	1991
	----	----	----
Statutory rate . . . . .	35.0%	34.0%	34.0%
State and local taxes, net of federal benefit. . . . .	5.2	5.4	5.5
Tax exempt income and other tax credits. . . . .	(2.6)	(4.1)	(4.2)
Other. . . . .	(0.5)	0.4	0.6
	-----	-----	-----
Effective tax rate . . . . .	37.1%	35.7%	35.9%
	=====	=====	=====

Deferred taxes are provided for the effect of temporary differences between financial and tax reporting. These differences are related principally to depreciation, benefit plan expenses and provision for workers compensation claims.

In August 1993, the Omnibus Budget Reconciliation Act of 1993 was signed into law. The Act increased the U.S. corporate statutory tax rate from 34% to 35% for years beginning after December 31, 1992, changed the deductibility of certain expenses and extended certain tax credits. The effect of this retroactive increase in the statutory tax rate was partially offset by a gain from the revaluation of net deferred tax assets.

The Internal Revenue Service (IRS) has proposed the imposition of an accumulated earnings tax totalling \$49 million for 1988, 1989 and 1990 in connection with an audit of the Company's consolidated federal tax liability. The Company believes that there is no factual or legal basis for the imposition of any accumulated earnings tax and that the Company is fully justified in making provision to meet the needs of Kelly's expanding business operations. Moreover, tax counsel has advised that a substantial portion of the IRS proposal results from computational and clerical errors in the calculation of the tax. The Company is defending its position through the IRS appeal process and into the courts if necessary. In the opinion of the



Company, the ultimate resolution of this issue will not materially affect its financial statements.

The Company paid income taxes of \$34,800 in 1993, \$21,402 in 1992 and \$24,017 in 1991.

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NOTES TO FINANCIAL STATEMENTS  
(continued)

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**					
1993 . . . . .	\$450,654	\$482,034	\$517,585	\$504,261	\$1,954,534
1992 . . . . .	374,538	413,182	450,061	474,945	1,712,726
1991 . . . . .	326,547	343,495	374,716	379,551	1,424,309
Cost of services					
1993 . . . . .	364,724	388,906	416,904	403,263	1,573,797
1992 . . . . .	298,270	332,458	361,835	379,824	1,372,387
1991 . . . . .	252,305	268,268	294,855	300,207	1,115,635
Selling, general and administrative					
1993 . . . . .	77,196	79,178	79,541	80,923	316,838
1992 . . . . .	69,440	69,965	72,843	76,866	289,114
1991 . . . . .	64,830	63,688	65,387	68,095	262,000
Net earnings					
1993 . . . . .	6,879	10,009	14,028	13,643	44,559
1992 . . . . .	6,209	8,505	11,411	13,100	39,225
1991 . . . . .	8,450	9,710	11,368	9,091	38,619
Earnings per share*					
1993 . . . . .	.18	.27	.37	.36	1.18
1992 . . . . .	.16	.23	.30	.35	1.04
1991 . . . . .	.22	.26	.30	.25	1.03
Dividends per share*					
1993 . . . . .	.152	.160	.160	.160	.632
1992 . . . . .	.144	.144	.144	.152	.584
1991 . . . . .	.144	.144	.144	.144	.576

\* Adjusted for the 5-for-4 stock split of May, 1993.

\*\*Sales of services has been adjusted to exclude interest income.

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SCHEDULE I - MARKETABLE SECURITIES -- OTHER INVESTMENTS  
Kelly Services, Inc. and Subsidiaries  
JANUARY 2, 1994  
(In thousands of dollars)

COLUMN A Name of Issuer and Title of Issue	COLUMN B Principal Amounts of Bonds and Notes	COLUMN C Cost of each Issue	COLUMN D* Recorded Value on Balance Sheet
US GOVERNMENT AND ITS AGENCIES	\$ 33,562	\$ 33,662	\$ 33,828
STATE AND LOCAL GOVERNMENTS AND THEIR AGENCIES: Alabama State, General Obligations	3,004	3,013	3,035

Baltimore County, MD General Obligation	1,045	1,045	1,054
Blackrock Insured Municipal Bond Fund	3,000	3,000	3,010
California Revenue Bonds	6,000	6,002	6,071
Chicago, IL Tender Notes	3,000	3,001	3,022
Cincinnati, OH Student Loan Fund Revenue Bonds	2,997	3,008	3,007
Erie County, N.Y. Revenue Anticipation Notes	3,013	3,037	3,051
Georgia State Municipal Electric Authority Revenue Bonds	1,121	1,148	1,157
Hawaii State, General Obligations	2,585	2,585	2,557
Homestead, FL Special Assessment Revenue Bonds	1,002	1,005	1,032
Illinois Revenue Bonds	5,835	5,837	5,956
Iowa School Corporate Warrant Certificates	3,011	3,011	3,046
Kentucky Housing Sr. A Revenue Bonds	1,345	1,351	1,372
Massachusetts Revenue Bonds	4,084	4,084	4,110
Metro Govt. Nashville, TN Water & Sewer Revenue Bonds	2,996	2,996	3,044
Michigan Revenue Bonds	7,829	7,829	7,890
Missouri Higher Education Loan Authority Revenue Bonds	3,016	3,076	3,129
MuniYield Quality II C Auction Municipal Bond Fund	1,998	1,998	2,004
New Jersey Revenue Bonds	3,204	3,282	3,300
North Carolina Eastern Municipal Power Revenue Bonds	2,211	2,298	2,303
NuVeen Performance Plus Municipal Bond Fund	3,000	3,000	3,009
Pennsylvania Municipal Bonds	3,535	3,565	3,591
Phoenix, Arizona General Obligations	2,720	2,815	2,744
Private Colleges & Un. FA GA Revenue Bonds	3,000	3,001	3,007
Seattle, WA Sewer Revenue Bonds	1,289	1,289	1,310
Texas Revenue Bonds	1,700	1,702	1,714
Van Kampen Merritt Municipal Bond Fund	3,000	3,000	3,010
Virginia Beach Certificates of Participation	1,000	1,002	1,010
Wisconsin Municipal Bonds	4,096	4,096	4,140
	-----	-----	-----
Total State and Local Government Investments	85,636	86,076	86,685
MISCELLANEOUS ISSUES:			
ABN Ambro Time Deposit	5,006	5,015	5,070
Comerica Bank Note	4,999	5,013	5,042
Republic Bank, N.Y. Bank Note	1,511	1,524	1,524
Western PA Power & Light Money Market Preferred Stock	3,000	3,000	3,018
Others	5,509	5,528	5,561
	-----	-----	-----
Total Miscellaneous Issues	20,025	20,080	20,215
CERTIFICATES OF DEPOSIT	4,220	4,220	4,260
	-----	-----	-----
TOTAL SHORT-TERM INVESTMENTS	\$143,443	\$144,038	\$144,988
	=====	=====	=====
<FN>			

\*Investments are stated at cost plus accrued interest, which approximates market.

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SCHEDULE VIII - VALUATION RESERVES  
Kelly Services, Inc. and Subsidiaries  
JANUARY 2, 1994  
(In thousands of dollars)

Description	Balance at beginning of year	Additions charged to costs and expenses	Deductions - uncollectible accounts	Balance at end of year
	-----	-----	-----	-----
Fifty-two weeks ended January 2, 1994:				
Reserve deducted in the balance sheet from the assets to which it applies -				
Allowance for doubtful accounts	\$3,775	\$4,345	\$3,385	\$4,735
	=====	=====	=====	=====
Fifty-three weeks ended January 3, 1993:				
Reserve deducted in the balance sheet from the assets to which it applies -				
Allowance for doubtful accounts	\$3,180	\$4,115	\$3,520	\$3,775
	=====	=====	=====	=====
Fifty-two weeks ended December 29, 1991:				
Reserve deducted in the balance sheet from the assets to which it applies -				
Allowance for doubtful accounts	\$3,615	\$2,342	\$2,777	\$3,180

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 October 3, 1993, filed with the Commission in November, 1993, which is incorporated herein by reference).	
3.2	By-laws. (Reference is made to Exhibit 3.3 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).	
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).	
10.1	Forms of Branch Office Agreements. (Reference is made to Exhibit 13(a) to registrant's registration statement filed with the Commission in October, 1961, which are incorporated herein by reference).	
10.2	Short-Term Incentive Plan. (Reference is made to Exhibit 10.3 to the Form 10-K for the fiscal year ended January 3, 1993, filed with the Commission in March, 1993, which is incorporated herein by reference.)	
10.3	Kelly Services, Inc. 1982 Incentive Stock Option Plan.	1 (Document 2)
10.4	Kelly Services, Inc. Performance Incentive Plan. (Reference is made to Appendix to the Definitive Proxy for the fiscal year ended December 30, 1991, filed with the Commission in April, 1992, which is incorporated herein by reference).	
11	Additional Earnings Per Share Information.	1 (Document 3)
21	Subsidiaries of Registrant.	1 (Document 4)
23	Consent of Independent Accountants.	1 (Document 5)
24	Powers of Attorney.	1 (Document 6)

KELLY SERVICES, INC.

1982 INCENTIVE STOCK OPTION PLAN

1. PURPOSE

The purpose of this Plan is to attract, retain and stimulate capable management in order to assure the future success of the Company. This Plan is being adopted to encourage qualified personnel to join the Company, to provide an incentive for employees to remain with the Company and to stimulate the maximum efforts of those employees, on which the Company's success and future growth are dependent.

The Plan includes as eligible participants only the officers and other key employees of the Company and its subsidiaries. It is designed to give these employees the opportunity to purchase the common stock of the Company on a basis mutually advantageous to the employees and the Company. It is intended that stock options granted under the Plan will satisfy the requirements of Section 422A of the Internal Revenue Code of 1954.

The provisions of this Plan do not apply to or affect any option heretofore or hereafter granted under any other stock option plan of the Company, and all such options continue to be governed by and subject to the applicable provisions of the plan under which they were granted.

2. DEFINITIONS

2.01 "BOARD" or "BOARD OF DIRECTORS" means the Board of Directors of the Company.

2.02 "CODE" means the Internal Revenue Code of 1954, as from time to time amended.

2.03 "COMMON STOCK" means the common stock of the Company, par value \$1.00 per share.

2.04 "COMPANY" means Kelly Services, Inc., a Delaware corporation, and any successor thereto.

2.05 "OPTION DATE" means the date upon which a Stock Option is granted to a Participant.

2.06 "OPTION PRICE" means the price per share at which a Stock Option may be exercised.

2.07 "PARTICIPANT" means an individual to whom a Stock Option has been granted under the Plan.

2.08 "PLAN" means this 1982 Incentive Stock Option Plan, as from time to time amended.

2.09 "STOCK OPTION" means the right of a participant to purchase a specified number of shares of Common Stock, subject to the terms and conditions of the Plan.

3. STOCK SUBJECT TO STOCK OPTIONS

3.01 NUMBER OF RESERVED SHARES. Except as otherwise provided in Section 7, the aggregate number of shares of Common Stock that may be issued under Stock Options granted under this Plan may not exceed three hundred thousand (300,000) shares.

3.02 TYPES OF SHARES RESERVED. The shares reserved under this Plan may be either authorized and unissued shares or treasury shares, as the

Board of Directors from time to time determine. Unless the Board of Directors determines to purchase shares in the market for the purposes of this Plan or to use treasury shares, the shares sold under the Plan will be authorized and unissued shares reserved for that purpose. If any Stock Options granted under this Plan terminate, lapse or expire for any reason without having been exercised in full, the shares not purchased under the terminated options will be available again for the purposes of this Plan.

#### 4. ADMINISTRATION

4.01 THE BOARD. The Plan is administered by the Board of Directors. Members of the Board who are officers or key employees of the Company are eligible to receive options under the Plan; provided, however, that William R. Kelly shall not be eligible to be granted any option under this Plan.

4.02 POWERS OF THE BOARD. In addition to any other powers set forth in this Plan, the Board has the following powers;

(a) to construe and interpret the Plan;

(b) to establish, amend and rescind appropriate rules and regulations relating to the Plan.

(c) subject to the express provisions of the Plan, to determine the individuals who will receive Stock Options, the times when they will receive them, the number of shares to be subject to each option and the Option Price applicable to each option;

(d) to contest on behalf of the Company or optionees, at the expense of the Company, any ruling or decision on any matter relating to the Plan or any Stock Option; and

(e) generally, to administer the Plan, and to take all such steps and make all such determinations in connection with the Plan and the options granted thereunder as it may deem necessary or advisable.

4.03 ACTION BY THE BOARD. All determinations of the Board are made by a majority vote of its members. The Board's determinations are final and binding on all Participants.

4.04 GENDER. Unless clearly inappropriate, all nouns of whatever gender refer to persons or objects of any gender.

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#### 5. GRANT, OPTION PRICE, AND EXERCISE

5.01 ELIGIBLE EMPLOYEES. The Board may from time to time grant Stock Options to officers and other key employees of the Company and its subsidiaries, subject to the terms and conditions of the Plan. Unless otherwise expressly stated by the Board in any specific instance, the action of the Board naming an individual to receive a Stock Option under this Plan, determining the number of shares subject to the option and setting the Option Price constitutes the granting of the option, and the date of the Board's action is the Option Date applicable to the option. If an option is granted on a day other than a business day, the Option Date is the last preceding business day.

5.02 OPTION PRICE. The Option Price of the Common Stock subject to each Stock Option is the average of the closing bid and asked prices quoted by NASDAQ on the applicable Option Date. If the Common Stock is not quoted by NASDAQ on the Option Date, then the Option Price shall be the average of the closing bid and asked prices on the most recent day preceding the day on which the option is granted for which such prices are available. If the Company should become listed on a national stock exchange during the existence of this Plan and Stock Options are thereafter granted under this Plan, the Option Price shall be the closing price of the Common Stock on the stock exchange on the Option date (or on

the preceding day such stock was traded if it was not traded on the Option Date).

5.03\* LIMITATION ON STOCK OPTION GRANTS. In any single calendar year, no Participant may be granted Stock Options, the aggregate Option Price of which exceeds one hundred thousand dollars (\$100,000).

5.04 MANNER OF EXERCISE. To exercise a Stock Option in whole or in part, a Participant must give written notice to the Board, stating the number of shares with respect to which he intends to exercise his Stock Option. The Company will issue the shares with respect to which the option is exercised upon payment in full, in cash, of the Option Price, or, at Participant's option, upon payment with stock of the Company then owned by the Participant; provided, however, that the Participant may not use as payment in part or in full any shares of Common Stock acquired by the Participant by exercising a grant within a period of four (4) years prior to the payment for the shares being currently acquired. If the Participant uses stock of the Company as payment of the Option Price, the valuation of the stock given in payment shall be made as of the day of delivery of the shares to the Company and in the manner in which the Board would determine the Option Price if a Stock Option was being granted.

5.05 INVESTMENT REPRESENTATIONS. The Board may require a Participant, or any other person in whose name shares are issued upon the exercise of an option, to represent that all shares so acquired are purchased for investment and not with a view to distribution or resale or to agree that such shares will not be sold except in accordance with such restrictions or limitations as may be prescribed by the Board.

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## 6. LIMITATIONS ON THE RIGHT TO EXERCISE

6.01 TIME OF EXERCISE. Except as otherwise provided in Sections 6.02, 6.03 and 6.04, no Stock Option may be exercised unless the Participant has been in the employ of the Company or a subsidiary continuously from the Option Date. Options are exercisable not later than five (5) years after the Option Date.

6.02 EFFECT OF CORPORATE REORGANIZATION. In the event of a dissolution, reorganization, merger, consolidation or transfer of assets, as described in Section 7.02, or a transfer of more than eighty percent (80%) of the then outstanding shares of the Company, each participant may, before the effective date of the transaction, purchase the full number of shares under his Stock Options that he otherwise would have been entitled to purchase during the remaining term of the options.

6.03 TERMINATION OF EMPLOYMENT. If the employment of a Participant with the Company or a subsidiary terminates (other than by reason of death or disability) and he has been in the employ of the Company or a subsidiary continuously from the Option Date until his termination of employment, and if not otherwise affected, restricted, or encumbered by the provisions of paragraph 12 of the Plan, he may exercise the option at any time within the three (3) month period beginning on his date of termination of employment, so long as the option has not otherwise expired.

Options granted under this Plan are not affected by any change of employment so long as the Participant continues to be an employee of either the Company or a subsidiary of the Company. Nothing in this Plan or in any option granted under it confers any right to continue in the employ of the Company or any of its subsidiaries or interferes in any way with the right of the Company or any of its subsidiaries to terminate any person's employment at any time.

6.04 EFFECT OF DEATH OR DISABILITY. If the employment of a Participant terminates by reason of his death or his total and permanent disability (as determined by a physician selected by the Board) and if he has been in the employ of either the Company or a subsidiary continuously from the Option Date until his death or disability, his outstanding Stock

Options may be exercised by himself or, in the event of his death, by his executor or administrator, at any time within one year after his termination of employment (but not beyond the term of the option), to the extent that he was entitled to exercise the options on the date of his death or disability.

6.05\* SEQUENCE OF EXERCISE. All Stock Options granted before 1987 to a Participant must be exercised in the order in which they were granted. For purposes of this Section 6.05, an option that has been cancelled is considered to remain outstanding until the date on which it would otherwise expire in accordance with Section 6.01.

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## 7. ADJUSTMENTS TO REFLECT CHANGES IN CAPITAL STRUCTURE

7.01 CHANGE IN CORPORATE STRUCTURE. In the event of a change in the corporate structure or shares of the Company, the Board of Directors (subject to any required action by the stockholders) may make any adjustments necessary to prevent accretion, or to protect against dilution, in the number and kind of shares authorized by the Plan and, with respect to outstanding Stock Options, in the number and kind of shares covered thereby and in the applicable Option Price. For the purpose of this Section 7.01, a change in the corporate structure or shares of the Company includes, without limitation, any change resulting from recapitalization, stock split, consolidation, rights offering, separation, reorganization, stock dividend or liquidation.

7.02 EXCHANGES OF COMMON STOCK. If the shares of Common Stock are changed into or exchanged for a different number or kind of shares of stock or other securities of another corporation, whether through merger, consolidation, reorganization or otherwise, the Board will make proportionate adjustments in the number or kind of shares or price per share, or both, in order to preserve each optionee's proportionate interest or in order to maintain unchanged the aggregate Option Price of his Stock Options.

## 8. NON-TRANSFERABILITY OF STOCK OPTIONS

The Stock Options granted under the Plan are not transferable by a Participant, voluntarily or involuntarily, other than by will or by the laws of descent and distribution. During a Participant's lifetime, his Stock Options may be exercised only by him.

## 9. RIGHTS AS STOCKHOLDER

No Common Stock may be delivered upon the exercise of any Stock Option until full payment has been made. A Participant has no rights whatsoever as a stockholder with respect to any shares covered by a Stock Option until the date of the issuance of a stock certificate for the shares. No adjustment will be made for dividends or other rights for which the record date precedes the date on which a stock certificate is issued.

## 10. AMENDMENT OF PLAN

The Board of Directors may from time to time amend or revise the terms of this Plan in whole or in part and may, without limitation, adopt any amendment deemed necessary to ensure compliance with Section 422A of the Code; provided, however, that (a) no change in any Stock Option previously granted to a Participant may be made that would impair the rights of the Participant without the Participant's consent, and (b) the Board of Directors may not, without further approval by the holders of a majority of the outstanding shares of the Company, (i) change the aggregate number of shares that may be sold pursuant to Stock Options granted under the Plan (except in accordance with the provisions of Section 7), (ii) change the class of eligible employees who may receive Stock Options under the Plan, or (iii) adopt any amendment affecting the Option Price at which Stock Options may be granted.

11. EFFECTIVE DATE AND TERMINATION OF PLAN

11.01 EFFECTIVE DATE. This Plan is effective as of its adoption by the Board of Directors; provided, however, that if the Plan is not approved by the stockholders of the Company within twelve (12) months after adoption by the Board of Directors, the Plan and all Stock Options granted under it will be void.

11.02 TERMINATION OF THE PLAN. The Board of Directors may terminate the Plan at any time with respect to any shares that are not then subject to Stock Options. Unless terminated earlier by the Board of Directors, the plan will terminate ten (10) years after its effective date, and no Stock Options may be granted after that date. Termination of the Plan will not affect the rights and obligations of any Participant with respect to Stock Options granted before termination.

12. EMPLOYMENT AGREEMENT

In consideration for any option granted to any Participant, the Participant shall agree that if he voluntarily leaves the employment of the Company or a subsidiary of the Company prior to two (2) years from the date of such grant, he will pay to the Company the difference, if any, by which the market value on the date of termination of employment of the Common Stock acquired through the option exceeds the purchase price, adjusted for any change in the stock as provided in paragraph 7 of the Plan. For purposes of this paragraph, voluntary termination of employment does not include retirement pursuant to the provisions of the Company's Retirement Plan.

\*As amended to conform to Tax Reform Act of 1986.

11/17/87



ADDITIONAL EARNINGS PER SHARE INFORMATION

Kelly Services, Inc. and Subsidiaries

Details of the common shares used to compute earnings per share are as follows (after adjustment for the five-for-four stock splits of May, 1989 and 1993) in thousands except per share items:

	FISCAL YEAR ENDED				
	Dec. 31, 1989	Dec. 30, 1990	Dec. 29, 1991	Jan. 3, 1993	Jan. 2, 1994
Weighted average shares outstanding	37,548	37,586	37,616	37,668	37,728
Adjustment for dilutive shares from stock options under the treasury stock method:					
Shares assumed issued	281	301	249	188	473
Less - Shares assumed repurchased	180	232	185	123	408
Additional shares assumed outstanding	101	69	64	65	65
Applicable shares as adjusted	37,649	37,655	37,680	37,733	37,793
Net earnings	\$70,801	\$71,194	\$38,619	\$39,225	\$44,559
Earnings per common share	\$1.88	\$1.89	\$1.02	\$1.04	\$1.18
Percent dilution of earnings per share	0.3%	0.2%	0.2%	0.2%	0.2%

SUBSIDIARIES OF REGISTRANT

Kelly Services, Inc.

Subsidiary	State/Jurisdiction of Incorporation	Business Name
Kelly Services (Canada), Ltd.	Canada	Kelly Temporary Services
Les Services Kelly (Quebec) Inc. (a subsidiary of Kelly Services (Canada), Ltd.)	Quebec	Les Services Kelly
Lenore Simpson Personnel, Ltd. (a subsidiary of Kelly Services (Canada), Ltd.)	Ontario	Lenore Simpson Personnel
Societe Services Kelly	Delaware	Kelly Services
Kelly Properties, Inc.	Michigan	Kelly Properties
Kelly Services (Ireland), Ltd. (a subsidiary of Kelly Properties, Inc.)	Delaware	Kelly Temporary Services
Kelly Services (UK), Ltd. (a subsidiary of Kelly Services (Ireland), Ltd.)	Delaware	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, Inc.	Delaware	Kelly Professional Services
Kelly Services of Denmark, Inc.	Delaware	Kelly Vikarer Karin Lannig Kelly
Kelly Services (Nederland), B.V.	The Netherlands	Kelly Uitzendburo
Kelly Services Norge A.S. (a subsidiary of Kelly Services  (Nederland), B.V.)	Norway	Kelly Personal Byraet
Kelly de Mexico, S.A. de C.V.	Mexico	Kelly Temporary Services
KSI Acquisition Corporation	California	Your Staff

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CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Prospectus constituting part of the Registration Statements on Forms S-8 Number 2-85867, 33-48782 and 33-51239 of Kelly Services, Inc. of our report dated February 3, 1994, appearing on page 14 of this Annual Report on Form 10-K.

/s/ Price Waterhouse  
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Price Waterhouse  
Detroit, Michigan  
March 11, 1994

POWER OF ATTORNEY

The undersigned director of Kelly Services, Inc. does hereby appoint each of Eugene L. Hartwig and Robert F. Stoner, 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, 1994, 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 11th day of February, 1994.

/s/ William R. Kelly

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William R. Kelly

POWER OF ATTORNEY

Each of the undersigned directors of Kelly Services, Inc. does hereby appoint each of Eugene L. Hartwig and Robert F. Stoner, 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, 1994, 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 16th day of February, 1994.

/s/ Terence E. Adderley  
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Terence E. Adderley

/s/ Cedric V. Fricke  
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Cedric V. Fricke

/s/ Harold E. Guenther  
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Harold E. Guenther

/s/ Verne G. Istock  
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Verne G. Istock