

MANPOWER INC /WI/
Form 10-Q
July 31, 2009

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Quarterly Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended:

June 30, 2009

or

Transition Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from: _____ to _____

Commission file number: 1-10686

MANPOWER INC.

(Exact name of registrant as specified in its charter)

Wisconsin 39-1672779
(State or other jurisdiction of incorporation) (IRS Employer Identification No.)

100 Manpower Place
Milwaukee, Wisconsin 53212
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (414) 961-1000

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

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files). Yes No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (check one):

Large accelerated filer Accelerated filer
Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

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Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Shares Outstanding at July 28, 2009
Common Stock, \$.01 par value	78,383,505

MANPOWER INC. AND SUBSIDIARIES

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PART I - FINANCIAL INFORMATION

Item 1 – Financial Statements (unaudited)

MANPOWER INC. AND SUBSIDIARIES

Consolidated Balance Sheets (Unaudited)
(in millions)

ASSETS

	June 30, 2009	December 31, 2008
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,107.3	\$ 874.0
Accounts receivable, less allowance for doubtful accounts of \$125.9 and \$118.5, respectively	2,944.9	3,629.7
Prepaid expenses and other assets	166.4	119.9
Future income tax benefits	59.2	66.5
Total current assets	4,277.8	4,690.1
OTHER ASSETS:		
Goodwill	1,011.4	972.9
Intangible assets, less accumulated amortization of \$89.2 and \$78.4, respectively	408.5	415.2
Other assets	349.0	326.6
Total other assets	1,768.9	1,714.7
PROPERTY AND EQUIPMENT:		
Land, buildings, leasehold improvements and equipment	728.4	744.0
Less: accumulated depreciation and amortization	533.2	530.6
Net property and equipment	195.2	213.4
Total assets	\$ 6,241.9	\$ 6,618.2

The accompanying notes to consolidated financial statements are an integral part of these balance sheets.

MANPOWER INC. AND SUBSIDIARIES

Consolidated Balance Sheets (Unaudited)
(in millions, except share and per share data)

LIABILITIES AND SHAREHOLDERS' EQUITY

	June 30, 2009	December 31, 2008
CURRENT LIABILITIES:		
Accounts payable	\$ 999.2	\$ 903.2
Employee compensation payable	175.5	213.2
Accrued liabilities	451.2	577.9
Accrued payroll taxes and insurance	500.2	617.5
Value added taxes payable	350.1	479.2
Short-term borrowings and current maturities of long-term debt	32.0	115.6
Total current liabilities	2,508.2	2,906.6
OTHER LIABILITIES:		
Long-term debt	841.8	837.3
Other long-term liabilities	348.4	390.5
Total other liabilities	1,190.2	1,227.8
SHAREHOLDERS' EQUITY:		
Preferred stock, \$.01 par value, authorized 25,000,000 shares, none issued	-	-
Common stock, \$.01 par value, authorized 125,000,000 shares, issued 104,208,757 and 103,756,138 shares, respectively	1.0	1.0
Capital in excess of par value	2,525.9	2,514.8
Retained earnings	1,193.8	1,201.2
Accumulated other comprehensive income (loss)	49.2	(8.9)
Treasury stock at cost, 25,856,234 and 25,791,941 shares, respectively	(1,226.4)	(1,224.3)
Total shareholders' equity	2,543.5	2,483.8
Total liabilities and shareholders' equity	\$ 6,241.9	\$ 6,618.2

The accompanying notes to consolidated financial statements are an integral part of these balance sheets.

MANPOWER INC. AND SUBSIDIARIES

Consolidated Statements of Operations (Unaudited)
(in millions, except per share data)

	3 Months Ended June 30,		6 Months Ended June 30,	
	2009	2008	2009	2008
Revenues from services	\$ 3,796.6	\$ 5,904.9	\$ 7,443.7	\$ 11,291.5
Cost of services	3,101.2	4,751.3	6,078.5	9,170.2
Gross profit	695.4	1,153.6	1,365.2	2,121.3
Selling and administrative expenses	673.3	946.3	1,337.6	1,782.0
Operating profit	22.1	207.3	27.6	339.3
Interest and other expenses	10.8	13.9	22.7	25.2
Earnings before income taxes	11.3	193.4	4.9	314.1
Provision for income taxes	(8.0)	86.0	(16.7)	131.2
Net earnings	\$ 19.3	\$ 107.4	\$ 21.6	\$ 182.9
Net earnings per share – basic	\$ 0.25	\$ 1.36	\$ 0.28	\$ 2.31
Net earnings per share – diluted	\$ 0.25	\$ 1.34	\$ 0.27	\$ 2.27
Weighted average shares – basic	78.3	79.2	78.2	79.3
Weighted average shares – diluted	78.8	80.3	78.6	80.4

The accompanying notes to consolidated financial statements are an integral part of these statements.

MANPOWER INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows (Unaudited)
(in millions)

	6 Months Ended June 30,	
	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net earnings	\$ 21.6	\$ 182.9
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	46.9	53.4
Deferred income taxes	(27.5)	8.7
Provision for doubtful accounts	13.7	8.4
Share-based compensation	7.5	14.3
Excess tax benefit on exercise of stock options	(0.1)	(0.1)
Changes in operating assets and liabilities, excluding the impact of acquisitions:		
Accounts receivable	753.3	(75.8)
Other assets	(40.7)	(4.3)
Other liabilities	(395.4)	78.3
Cash provided by operating activities	379.3	265.8
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(16.9)	(51.4)
Acquisitions of businesses, net of cash acquired	(21.7)	(195.5)
Proceeds from the sale of property and equipment	2.1	4.4
Cash used in investing activities	(36.5)	(242.5)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net (repayments) borrowings of short-term facilities and long-term debt	(85.0)	26.0
Proceeds from share-based awards	5.5	11.1
Excess tax benefit on exercise of stock options	0.1	0.1
Repurchases of common stock	-	(52.7)
Dividends paid	(29.0)	(29.2)
Cash used in financing activities	(108.4)	(44.7)
Effect of exchange rate changes on cash	(1.1)	45.2
Change in cash and cash equivalents	233.3	23.8
Cash and cash equivalents, beginning of year	874.0	537.5
Cash and cash equivalents, end of period	\$ 1,107.3	\$ 561.3

SUPPLEMENTAL CASH FLOW INFORMATION:

Interest paid	\$	43.7	\$	47.8
Income taxes paid	\$	45.9	\$	170.8

The accompanying notes to consolidated financial statements are an integral part of these statements.

MANPOWER INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Unaudited)
For the Six Months Ended June 30, 2009 and 2008
(in millions, except share and per share data)

(1) Basis of Presentation and Accounting Policies

Basis of Presentation

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission, although we believe that the disclosures are adequate to make the information presented not misleading. These consolidated financial statements should be read in conjunction with the consolidated financial statements included in our 2008 Annual Report to Shareholders.

The information furnished reflects all adjustments that, in the opinion of management, are necessary for a fair statement of the results of operations for the periods presented. Such adjustments are of a normal recurring nature.

Employment-Related Items

In April 2007, we received a letter from the Central Agency For Social Security Organizations in France regarding a modification to the calculation of payroll taxes under certain French social programs aimed at encouraging the employment of low-wage workers. This modification reduced the amount of payroll taxes that we are required to remit retroactive to January 1, 2006. We recorded the benefit of the 2006 modification in 2007. In April 2008, we received additional information from our trade association, which was based on communications with the Central Agency indicating that this modification is also applicable to 2005. We recorded \$53.7 (\$35.2 after tax, or \$0.44 per diluted share) of a net benefit in the second quarter of 2008 related to the 2005 modification, which resulted in an increase to Gross Profit.

Goodwill and Intangible Assets

In accordance with Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets," we perform an annual impairment test of goodwill and indefinite-lived intangible assets at our reporting unit level during the third quarter or more frequently if events or circumstances change that would more likely than not reduce the fair value of our reporting units below their carrying value.

Due to the on-going unfavorable impact of the credit crisis and the current economic environment, we completed an assessment of impairment indicators during the second quarter of 2009 to determine if the fair value of any of our reporting units was more likely than not below carrying value. We also considered a number of factors, including, among other things, recent operational trends and reorganization plans. We considered the effect of the recent decline in the demand for our services and volatility in our stock price on the fair value of our reporting units. However, based on our previous experiences during economic downturns, we do not currently believe these are necessarily indicative of a significant decline in the long-term value of our businesses and therefore in the fair value of our reporting units.

Our consolidated revenues declined 35.7% (26.6% in constant currency) during the second quarter of 2009 as compared to the second quarter of 2008, with similar declines in most of our reporting units. This decline was in line with our expectations and reflects some stabilization in certain markets, as compared to the 32.3% decline (21.8% in constant currency) we experienced during the first quarter of 2009, with stabilization just beginning in a couple of markets.

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Our stock price and our resulting market capitalization increased during the second quarter of 2009. Our stock price was \$42.34 as of June 30, 2009 as compared to \$31.53 as of March 31, 2009. Our book value per share was \$32.46 as of June 30, 2009. We expect that there may continue to be volatility in our stock price due to changes in market conditions and expectations; however, our market capitalization continues to be greater than our book value at our quarter-end.

Our Jefferson Wells reporting unit recorded restructuring costs of \$5.9 in the second quarter of 2009 as we anticipated, due to a reorganization of their operating structure to address the current economic conditions. To evaluate the effect of this reorganization, we reviewed Jefferson Wells' revised forecast and adjusted our discounted projected cash flows accordingly. The fair value of these cash flows continued to exceed the carrying value at June 30, 2009, albeit by a narrower margin.

Based on our assessment, we concluded it was more likely than not that the fair value of our reporting units continued to exceed their carrying value at June 30, 2009 and therefore no interim impairment test was required.

Our annual impairment test will occur in the third quarter of 2009. If we continue to experience volatility in our stock prices and/or a further erosion of actual and projected revenues, we may have a material impairment charge related to one or more of our reporting units, such as Jefferson Wells.

Subsequent Events

We have evaluated events and transactions occurring after the balance sheet date through July 31, 2009, which is the date that the financial statements are issued, and noted no events that are subject to recognition or disclosure.

2) New Accounting Standards

In December 2007, the FASB issued FASB Staff Position No. FAS 132(R)-1, "Employers' Disclosures about Postretirement Benefit Plan Assets" ("FSP FAS 132(R)-1"). FSP FAS 132(R)-1 requires additional disclosures about plan assets of a defined benefit pension or other postretirement plan. FAS 132(R)-1 will be effective for our 2009 annual disclosures.

In May 2009, the FASB issued Statement No. 165, "Subsequent Events" ("SFAS 165"). SFAS 165 requires disclosure of the date through which an entity has evaluated subsequent events and the basis for that date. We adopted SFAS 165 effective second quarter 2009. See Note 1 for the disclosure.

In June 2009, the FASB issued Statement No. 166, "Accounting for Transfers of Financial Assets, an amendment of FASB Statement No. 140" ("SFAS 166"). SFAS 166 eliminates the concept of a qualifying special-purpose entity and removes the exception from applying FASB Interpretation No. 46(R), "Consolidation of Variable Interest Entities" ("FIN 46(R)"), to qualifying special purpose entities. SFAS 166 also defines the term participating interest to establish specific conditions for reporting a transfer of apportion of a financial asset as a sale. The Statement also requires that a transferor recognize and initially measure at fair value all assets obtained and liabilities incurred as a result of a transfer of financial assets accounted for as a sale. SFAS 166 will be effective for us in 2010. We do not expect the adoption of this statement to have a material impact on our consolidated financial statements.

In June 2009, the FASB issued Statement No. 167, "Amendments to FASB Interpretation No. 46(R)" ("SFAS 167"). SFAS 167 amends the guidance for identifying the primary beneficiary in variable interest entities and requires ongoing assessments for purposes of identifying the primary beneficiary. SFAS 167 will be effective for us in 2010. We do not expect the adoption of this statement to have a material impact on our consolidated financial statements.

(3) Stock Compensation Plans

We recognized share-based compensation expense of approximately \$3.4 and \$5.4 for the three months ended June 30, 2009 and 2008, respectively, and \$7.5 and \$14.3 for the six months ended June 30, 2009 and 2008, respectively. The expense relates to grants of stock options, deferred stock, restricted stock, and performance share units. Cash received from stock option exercises was \$7.5 and \$11.1 for the six months ended June 30, 2009 and 2008, respectively. We recognize share-based compensation expense related to grants of share-based awards in Selling and Administrative Expenses on a straight-line basis over the service period of each award.

(4) Acquisitions and Reorganization Costs

Acquisitions

From time to time, we acquire and invest in companies throughout the world, including franchises. The total cash consideration for acquisitions, net of cash acquired, in the six months ended June 30 was \$21.7 and \$195.5 for 2009 and 2008, respectively.

Reorganization Costs

In the first two quarters of 2009 and fourth quarter of 2008, we recorded reorganization charges of \$57.1 (\$19.9 in 2009 and \$37.2 in 2008) in Selling and Administrative Expenses, primarily related to severances as well as office closures and consolidations in several countries. As of June 30, 2009, \$5.7 and \$23.8 have been paid out of the reserves recorded in 2009 and 2008, respectively, of which \$21.1 was paid during the three months ended June 30, 2009. We expect a majority of the remaining \$27.6 will be paid in 2009. For reorganization charges recorded prior to 2008, there is \$1.1 remaining to be paid as of June 30, 2009, which we expect will be paid in 2009.

(5) Income Taxes

We recorded an income tax benefit, at an effective rate of -70.4% for the second quarter of 2009, as compared to an income tax expense, at an effective rate of 44.5% for the second quarter of 2008. The change in the 2009 rate is due to the impact of a discrete tax benefit that reduced the amount of deferred taxes related to the French earnings that will likely be repatriated because of the payment of the fine for the French competition case. Excluding the impact of this discrete item, our effective tax rate for the second quarter of 2009 was 63.8%. This rate is different than the U.S. Federal statutory rate of 35% and our 2008 annual effective tax rate of 36.6% due primarily to the impact of the mix of U.S. and non-U.S. earnings, valuation allowances recorded on non-U.S. net operating losses and other permanent items.

We recorded an income tax benefit, at an effective rate of -338.8% for the first half of 2009, as compared to an income tax expense, at an effective rate of 41.8% for the first half of 2008. The change in the 2009 rate is due to the impact of a discrete tax benefit that reduced the amount of deferred taxes related to the French earnings that will likely be repatriated because of the payment of the fine for the French competition case and a valuation allowance reversal related to a European entity for prior net operating losses that will now be utilized. Excluding the impact of these discrete items, our effective tax rate for the first half of 2009 was 53.4%. This rate is different than the U.S. Federal statutory rate of 35% and our 2008 annual effective tax rate of 36.6% due primarily to the impact of the mix of U.S. and non-U.S. earnings, valuation allowances recorded on non-U.S. net operating losses and other permanent items.

As of June 30, 2009, we had gross unrecognized tax benefits of \$52.6 recorded in accordance with FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes, and Related Implementation Issues" ("FIN 48"). Our FIN 48 accrual is related to various tax jurisdictions, including \$2.0 of interest and penalties, and related tax benefits of \$12.8. As of December 31, 2008, we had gross unrecognized tax benefits of \$50.9 and related tax benefits of \$12.8. The net amount of \$39.8 as of June 30, 2009 would favorably affect the effective tax rate if recognized. While we do not anticipate any significant changes in our unrecognized tax benefits, there are certain statutes of limitation that will be expiring over the next 12 months which may result in a benefit being recognized.

We conduct business globally and, as a result, we are routinely audited by the various tax jurisdictions in which we operate. Generally, the tax years that remain subject to tax examination are 2004 through 2008 for our major operations in the U.S., France, the U.K., and Italy. As of June 30, 2009, we are subject to tax audits in France, the U.K. the U.S. and Australia, and we believe that the resolution of these audits will not have a material impact on earnings. There was no significant change in the total unrecognized tax benefits due to the settlement of audits, the expiration of statute of limitations, or for other items during the quarter ended June 30, 2009.

(6) Net Earnings Per Share

The calculation of Net Earnings Per Share – Basic and Net Earnings Per Share – Diluted are as follows:

	3 Months Ended June 30,		6 Months Ended June 30,	
	2009	2008	2009	2008
Net Earnings Per Share – Basic:				
Net earnings available to common shareholders	\$ 19.3	\$ 107.4	\$ 21.6	\$ 182.9
Weighted-average common shares outstanding	78.3	79.2	78.2	79.3
	\$ 0.25	\$ 1.36	\$ 0.28	\$ 2.31
Net Earnings Per Share – Diluted:				
Net earnings available to common shareholders	\$ 19.3	\$ 107.4	\$ 21.6	\$ 182.9
Weighted-average common shares outstanding	78.3	79.2	78.2	79.3
Effect of restricted stock grants	0.1	0.2	0.2	0.2
Effect of dilutive securities – stock options	0.4	0.9	0.2	0.9
	78.8	80.3	78.6	80.4
	\$ 0.25	\$ 1.34	\$ 0.27	\$ 2.27

The calculation of Net Earnings Per Share – Diluted does not include certain option grants because the exercise price for these options is greater than the average market price of the common shares during the period. There were 3.7 million and 0.8 million options excluded from the calculation for the three and six months ended June 30, 2009 and 2008, respectively.

(7) Accounts Receivable Securitization

In June 2009, we terminated our \$100.0 Receivables Facility program, which would have expired in July 2009. We terminated the program as we did not anticipate a need for this liquidity and anticipated a significant increase in associated fees and borrowing costs.

(8) Goodwill

This presentation reflects the realignment of our segments that occurred during the first quarter of 2009. See Note 14 for further information.

Changes in the carrying value of goodwill by reportable segment and Corporate are as follows:

	Americas	France	EMEA(1)	Asia Pacific	Right Management	Jefferson Wells	Corporate(2)	Total
Balance, December 31, 2008	\$ 162.3	\$ 3.6	\$ 266.2	\$ 56.5	\$ 140.0	\$ 1.0	\$ 343.3	\$ 972.9
Goodwill acquired	7.5	3.3	-	-	3.5	-	-	14.3
Currency impact	0.5	0.1	18.1	(0.2)	5.7	-	-	24.2
Balance, June 30, 2009	\$ 170.3	\$ 7.0	\$ 284.3	\$ 56.3	\$ 149.2	\$ 1.0	\$ 343.3	\$ 1,011.4

(1) Balances related to Italy are \$4.8 as of June 30, 2009 and December 31, 2008.

(2) The majority of the Corporate balance at June 30, 2009 relates to goodwill attributable from our acquisitions of Right Management (\$184.5) and Jefferson Wells (\$149.2). For purposes of monitoring our total assets by segment, we do not allocate these balances to their respective reportable segments as this is commensurate with how we operate our business. We do, however, include these balances within the appropriate reporting units for our goodwill impairment testing. See table below for the composition of goodwill balances by reporting unit.

Goodwill balances by reporting unit are as follows:

	June 30, 2009	December 31, 2008
Right Management	\$ 333.7	\$ 324.4
United States	158.4	150.9
Jefferson Wells	150.2	150.2
Elan	130.8	116.1
Netherlands (Vitae)	85.9	85.4
Other reporting units	152.4	145.9
Total goodwill	\$ 1,011.4	\$ 972.9

(9) Retirement Plans

The components of the net periodic benefit cost for our plans are as follows:

	Defined Benefit Pension Plans			
	3 Months Ended June 30,		6 Months Ended June 30,	
	2009	2008	2009	2008
Service cost	\$ 2.8	\$ 3.6	\$ 5.5	\$ 7.1
Interest cost	3.5	4.0	6.8	7.9
Expected return on assets	(3.2)	(3.7)	(6.2)	(7.3)
Curtailement and settlement	-	-	(4.3)	-
Other	(0.3)	-	(0.6)	(0.1)
Total benefit cost	\$ 2.8	\$ 3.9	\$ 1.2	\$ 7.6

	Retiree Health Care Plan			
	3 Months Ended June 30,		6 Months Ended June 30,	
	2009	2008	2009	2008
Service cost	\$ -	\$ 0.1	\$ 0.1	\$ 0.1
Interest cost	0.4	0.3	0.7	0.7
Other	(0.2)	(0.1)	(0.4)	(0.3)
Total benefit cost	\$ 0.2	\$ 0.3	\$ 0.4	\$ 0.5

Effective January 1, 2009, we have terminated our defined benefit plan in Japan and replaced it with a defined contribution plan, resulting in a curtailment and settlement gain of \$4.3.

During the three and six months ended June 30, 2009, contributions made to our pension plans were \$2.0 and \$4.1, respectively, and contributions made to our retiree health care plan were \$0.6 and \$1.2, respectively. We expect to make total contributions of \$12.5 to our pension plans and \$1.6 to our retiree health care plan during 2009.

(10) Shareholders' Equity

The components of Comprehensive Income, net of tax, are as follows:

	3 Months Ended June 30,		6 Months Ended June 30,	
	2009	2008	2009	2008
Net earnings	\$ 19.3	\$ 107.4	\$ 21.6	\$ 182.9
Other comprehensive income:				
Foreign currency translation gain (loss)	143.4	(3.1)	57.8	101.6
Unrealized gain (loss) on investments	2.1	(0.2)	0.9	(2.3)
Unrealized gains on derivatives	0.5	2.6	0.3	1.9
Defined benefit pension plans	0.2	(1.2)	(0.6)	(1.7)
Retiree health care plan	(0.2)	(0.2)	(0.3)	(0.3)
Comprehensive income	\$ 165.3	\$ 105.3	\$ 79.7	\$ 282.1

The components of Accumulated Other Comprehensive Income (Loss), net of tax, are as follows:

	June 30, 2009	December 31, 2008
Foreign currency translation gain	\$ 61.8	\$ 4.0
Unrealized gain on investments	3.2	2.3
Unrealized loss on derivatives	(4.3)	(4.6)
Defined benefit pension plans	(15.8)	(15.2)
Retiree health care plan	4.3	4.6
Accumulated other comprehensive income (loss)	\$ 49.2	\$ (8.9)

During the first half of 2009, we made no share repurchases. There were 1.1 million shares, at a cost of up to \$182.1, remaining authorized for repurchase under our 2007 authorization as of June 30, 2009. During the first half of 2008, we repurchased 0.8 million shares at a total cost of \$41.2 under the same authorization. These shares were all repurchased during the first quarter, with no additional repurchases during the second quarter.

On April 28, 2009, the Board of Directors declared a cash dividend of \$0.37 per share, which was paid on June 15, 2009 to shareholders of record on June 3, 2009.

(11) Interest and Other Expenses

Interest and Other Expenses consists of the following:

	3 Months Ended June 30,		6 Months Ended June 30,	
	2009	2008	2009	2008
Interest expense	\$13.9	\$17.1	\$27.0	\$32.7
Interest income	(3.2)	(6.0)	(7.6)	(11.1)
Foreign exchange loss (gain)	1.0	0.4	1.5	(1.5)
Miscellaneous (income) expense, net	(0.9)	2.4	1.8	5.1
Interest and other expenses	\$10.8	\$13.9	\$22.7	\$25.2

(12) Derivative Financial Instruments and Related Fair Value

We are exposed to various risks relating to our ongoing business operations. The primary risks, which are managed through the use of derivative instruments, are foreign currency exchange rate risk and interest rate risk. In certain circumstances, we enter into foreign currency forward exchange contracts (“forward contracts”) to reduce the effects of fluctuating foreign currency exchange rates on our cash flows denominated in foreign currencies. Our exposure to market risk for changes in interest rates relates primarily to our Long-Term Debt obligations. We have historically managed interest rate risk through the use of a combination of fixed and variable rate borrowings and interest rate swap agreements. In accordance with FASB Statement No. 133, as amended, “Accounting for Derivative Instruments and Hedging Activities,” we record all of our derivative instruments as either an asset or liability measured at their fair value.

Our interest rate swap agreements are designated as cash flow hedges of interest costs on our Euro-denominated variable rate borrowings. The Euro interest rate swap agreements have a notional value of €100.0 (\$140.3) and fix the variable portion of the interest rate on these borrowings, on a weighted-average basis, at 5.71% until July 2010. The total interest rate on these borrowings is currently 6.11%, including the 40 basis point credit spread as defined in our revolving credit agreement. For cash flow hedges, the effective portions of the changes in the fair value of the derivative are recorded as a component of Accumulated Other Comprehensive (Loss) Income (“Accumulated OCI”) and recognized in the consolidated statements of operations when the hedged item affects earnings. The ineffective portions of the changes in the fair value of hedges are recognized in earnings. For the quarter ended June 30, 2009, the ineffective portion of the €100.0 interest rate swaps was immaterial. We have a \$7.0 liability related to the fair value of these agreements included in Other Long-Term Liabilities as of June 30, 2009 and a \$4.3 loss included in Accumulated OCI, net of taxes.

Our revolving credit agreement borrowings of €100.0 (\$140.3), the €200.0 (\$280.6) Notes and the €300.0 (\$420.9) Notes are designated as economic hedges of our net investment in our foreign subsidiaries with a Euro functional currency. For derivatives designated as an economic hedge of the foreign currency exposure of a net investment in a foreign operation, the gain or loss associated with foreign currency translation is recorded as a component of Accumulated OCI, net of taxes. As of June 30, 2009, we have a \$72.1 loss included in Accumulated OCI, net of taxes, as the net investment hedge was deemed effective.

Our forward contracts are not designated as hedges. Consequently, any gain or loss resulting from the change in fair value is recognized in the current period earnings. These gains or losses are offset by the exposure related to receivables and payables with our foreign subsidiaries and to interest due on our Euro-denominated notes, which is paid annually in June. We recorded a gain of \$2.8 associated with our forward contracts in Interest and Other Expenses for the quarter ended June 30, 2009 related to the forward contracts. We had a \$2.8 liability related to the forward contracts’ fair value included in Other Long-Term Liabilities as of June 30, 2009.

The fair value measurements of those items recorded in our consolidated balance sheets as of June 30, 2009 are as follows:

	June 30, 2009	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Available-for-sale securities	\$ 0.3	\$ 0.3	\$ -	\$ -
	\$ 0.3	\$ 0.3	\$ -	\$ -
Liabilities				
Interest rate swaps	\$ 7.0	\$ -	\$ 7.0	\$ -
Forward contracts	2.8	-	2.8	-
	\$ 9.8	\$ -	\$ 9.8	\$ -

The carrying value of Cash and Cash Equivalents, Accounts Receivable, Accounts Payable, and other current assets and liabilities approximates their fair value because of the short-term nature of these instruments. The carrying value of Long-Term Debt approximates fair value, except for the Euro-denominated notes. The fair value of the Euro-denominated notes was \$634.1 and \$654.7 as of June 30, 2009 and December 31, 2008, respectively, compared to a carrying value of \$700.0 and \$696.6, respectively.

(13) Contingencies

In November 2004, French authorities commenced an investigation at our French headquarters. According to the search warrant, the investigation stemmed from a complaint submitted during 2003 to the European Commission and subsequently transferred to France's Direction Generale de la Concurrence, de la Consommation et de la Repression des Fraudes ("DGCCRF"), a body of the French Finance Minister that investigates frauds and competition violations. This investigation led the DGCCRF to transmit the results of its inquiry to the French Competition Council. After considering all of the input that was provided, the Competition Council rendered its decision in the matter in February 2009 and levied a fine of €42.0 (\$55.6) based on the Competition Council's determination of the damage to the economy attributable to the alleged misconduct, with adjustment for aggravating or mitigating factors. We paid this fine in April 2009 and have appealed the Competition Council's decision.

(14) Segment Data

During the first quarter of 2009, our segment reporting was realigned due to a change in our management structure. Other Americas and Asia Pacific, previously reported in Other Operations, are now separate reportable segments. The United States and Other Americas reportable segments are reported as Americas. The Italy and Other EMEA reportable segments are reported as EMEA. All previously reported results have been restated to conform to the current year presentation.

	3 Months Ended June 30		6 Months Ended June 30	
	2009	2008	2009	2008
Revenues from Services:				
Americas:				
United States (a)	\$ 374.3	\$ 491.6	\$ 748.1	\$ 963.1
Other Americas	220.7	296.2	439.9	576.9
	595.0	787.8	1,188.0	1,540.0
France	1,100.1	1,958.1	2,057.0	3,692.1
EMEA:				
Italy	230.1	441.4	450.5	842.6
Other EMEA	1,259.0	2,050.7	2,521.9	3,904.4
	1,489.1	2,492.1	2,972.4	4,747.0
Asia Pacific	406.2	474.8	831.4	938.9
Right Management	158.1	116.3	294.1	220.3
Jefferson Wells	48.1	75.8	100.8	153.2
Consolidated (b)	\$ 3,796.6	\$ 5,904.9	\$ 7,443.7	\$ 11,291.5
Operating Unit Profit: (c)				
Americas:				
United States	\$ (5.8)	\$ 14.8	\$ (20.3)	\$ 22.0
Other Americas	3.9	7.4	8.7	15.4
	(1.9)	22.2	(11.6)	37.4
France	4.2	69.8	5.2	123.8
EMEA:				
Italy	6.8	37.6	8.2	66.7
Other EMEA	(3.8)	85.1	(3.1)	132.8
	3.0	122.7	5.1	199.5
Asia Pacific	3.5	9.3	15.6	22.6
Right Management	42.3	13.4	71.4	20.2
Jefferson Wells	(10.2)	(1.6)	(17.7)	(4.2)
	40.9	235.8	68.0	399.3
Corporate expenses	18.8	28.5	40.4	60.0
Operating Profit	\$ 22.1	\$ 207.3	\$ 27.6	\$ 339.3

- (a) In the United States, where a majority of our franchises operate, Revenues from services included fees received from the related franchise offices of \$2.4 and \$4.7 for the three months ended June 30, 2009 and 2008, and \$4.4 and \$9.3 for the six months ended June 30, 2009 and 2008, respectively. These fees are primarily based on revenues generated by the franchise offices, which were \$107.2 and \$214.6 for the three months ended June 30, 2009 and 2008, respectively, and \$202.1 and \$427.3 for the six months ended June 30, 2009 and 2008, respectively.
- (b) Our consolidated Revenues from services include fees received from our franchise offices of \$5.8 and \$8.3 for the three months ended June 30, 2009 and 2008, respectively, and \$10.9 and \$15.6 for the six months ended June 30, 2009 and 2008, respectively. These fees are primarily based on revenues generated by the franchise offices, which were \$174.1 and \$325.4 for the three months ended June 30, 2009 and 2008, respectively, and \$333.0 and \$629.4 for the six months ended June 30, 2009 and 2008, respectively.
- (c) We evaluate segment performance based on Operating Unit Profit, which is equal to segment revenues less direct costs and branch and national headquarters operating costs. This profit measure does not include goodwill and intangible asset impairment charges or amortization of intangibles related to Corporate acquisitions, interest and other income and expense amounts or income taxes.

Item 2 – Management’s Discussion and Analysis of Financial Condition and Results of Operations

See financial measures on pages 28 through 30 for further information on constant currency and organic constant currency.

Business Overview

Manpower Inc. is a world leader in the employment services industry. Our global network of approximately 4,100 offices in 82 countries and territories allows us to meet the needs of our clients in all industry segments, whether they are global, multinational or local companies. By offering a complete range of services, we can help any company – no matter where they are in their business evolution – raise productivity through improved strategy, quality, efficiency and cost reduction across their total workforce.

Our industry is large and fragmented, comprised of thousands of firms employing millions of people and generating billions of U.S. Dollars in annual revenues. It is also a highly competitive industry, reflecting several trends in the global marketplace, notably increasing demand for skilled people and consolidation among competitors in the employment services industry itself.

We manage these trends by leveraging established strengths, including one of the employment services industry’s most recognized and respected brands; geographic diversification; size and service scope; an innovative product mix; and a strong client base. While staffing is an important aspect of our business, our strategy is focused on providing both the skilled employees that clients need and high-value workforce management, outsourcing and consulting solutions.

Client demand for employment services is dependent on the overall strength of the labor market and secular trends towards greater workforce flexibility within each of the countries in which we operate. Improving economic growth typically results in increasing demand for labor, resulting in greater demand for our staffing services. During periods of increasing demand, we are able to improve our profitability and operating leverage as our current cost base can support some increase in business without a similar increase in selling and administrative expenses. During these periods, we generally see an increase in our working capital needs, resulting from an increase in our accounts receivable balance in-line with the revenue growth, which may result in a decline in operating cash flows.

Correspondingly, during periods of weak economic growth or economic contraction, the demand for our staffing services typically declines. When demand drops, our operating profit is typically impacted unfavorably as we experience a deleveraging of our selling and administrative expense base as expenses may not decline at the same pace as revenues. In periods of economic contraction, as we are now experiencing, we will have more significant expense deleveraging, as we can only reduce selling and administrative expenses to a certain level without negatively impacting the long-term potential of our branch network and brands.

The nature of our operations is such that our most significant current asset is accounts receivable, with an average days sales outstanding in excess of 60 days based on the markets where we do business. Our most significant current liabilities are payroll related costs, which are paid either weekly or monthly. As the demand for our services increases, we generally see a large increase in our working capital needs, as we continue to pay our associates on a weekly or monthly basis, while the related accounts receivable are outstanding for much longer. Conversely, as the demand for our services declines, we generally see a decrease in our working capital needs, as the existing accounts receivable are collected and not replaced at the same level, resulting in a decline of our accounts receivable balance. We see less of an effect on current liabilities due to the shorter cycle time of the payroll related items. This may result in an increase in our operating cash flows, however any such increase would not be sustainable in the event that the economic downturn continued for an extended period.

Our career transition services are counter-cyclical to our staffing services, so they tend to soften the impact of any economic cycles on our overall financial results.

Due to our industry's sensitivity to economic factors, the inherent difficulty in forecasting the direction and strength of the economy and the short-term nature of staffing assignments, it is difficult to forecast future demand for our services with any reasonable certainty. As a result, we monitor a number of economic indicators, as well as recent business trends, to predict future revenue trends for each of our reportable segments. Based upon these anticipated trends, we determine what level of personnel and office investments are necessary to take full advantage of growth opportunities.

Operating Results - Three Months Ended June 30, 2009 and 2008

Given the current economic environment and the level of revenue declines which we have experienced in our staffing markets, we have initiated a number of cost reduction measures to try to minimize the impact on our overall profitability. Subsequent to September 2008, we have reviewed our direct costs and selling and administrative expenses and reduced our full-time equivalent employees by 6,400 (1,900 in the second quarter of 2009) or 19% of our employee base and closed 421 branches (66 offices in the second quarter of 2009) or 9% of our branches. This includes the transition of a majority of Jefferson Wells professionals to project-based roles, where they are only compensated if utilized on client engagements as we try to improve our staff utilization in light of the revenue declines within this business.

In reviewing our various cost control measures, we continue to balance the value of preserving our branch network and investing in our strategic initiatives against the desire to reduce costs and maintain profitability. We are focused on making the appropriate cost reductions, while trying to position ourselves to take advantage of any future economic recovery. We believe that maintaining our brand presence in key markets is critical to our ability to rebound quickly when the economic conditions improve. However, if the economic downturn continues for an extended period of time, or becomes more severe, we may decide to undertake further cost reductions. These further cost reductions would primarily consist of additional employee reductions and branch closures.

The effects of the economic downturn have impacted the demand for our services over the past several quarters. Based upon historical experience, we would expect our businesses to return to growth when the underlying economies improve and eventually to exceed previous revenue levels. The strength of this growth will be dependent on the level of economic growth. Given the uncertainties of predicting economic trends, however, it is not possible to predict when we will return to prior revenue and earnings levels.

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The following table presents selected consolidated financial data for the three months ended June 30, 2009 as compared to 2008.

(in millions except per share data)	2009	2008	Variance	Constant Currency Variance
Revenues from services	\$ 3,796.6	\$ 5,904.9	(35.7)%	(26.6)%
Cost of services	3,101.2	4,751.3	(34.7)	(25.3)
Gross profit	695.4	1,153.6	(39.7)	(31.9)
Gross profit margin	18.3%	19.5%		
Selling and administrative expenses	673.3	946.3	(28.8)	(19.7)
Operating profit	22.1	207.3	(89.3)	(87.5)
Operating profit margin	0.6%	3.5%		
Interest and other expenses	10.8	13.9	(21.7)	
Earnings before income taxes	11.3	193.4	(94.1)	
Provision for income taxes	(8.0)	86.0	N/A	
Effective income tax rate	-70.4			