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MANPOWER INC /WI/
Form 10-Q/A
November 04, 2002

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q/A

AMENDMENT NO. 1

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

MARCH 31, 2002

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
(State or other jurisdiction
of incorporation)

39-1672779
(IRS Employer
Identification No.)

5301 N. IRONWOOD ROAD
MILWAUKEE, WISCONSIN
(Address of principal executive offices)

53217
(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 X 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 MARCH 31, 2002 -----
Common Stock, \$.01 par value	75,561,292

EXPLANATION OF AMENDMENT

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Our Quarterly Report on Form 10-Q for the quarter ended March 31, 2002 was reviewed by the Securities and Exchange Commission (the "Commission") as part of their normal review process. In response to comments received from the Commission, we have amended Item 2, Management's Discussion and Analysis of Financial Condition and Results of Operations, of that filing to add additional disclosure related to the impact of acquisitions on our operating results for the three months ended March 31, 2002.

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

Operating Results - Three Months Ended March 31, 2002 and 2001

Revenues decreased 13.9% to \$2,284.0 million for the first quarter of 2002. Revenues were unfavorably impacted during the first quarter of 2002 compared to 2001 by changes in currency exchange rates, as the U.S. Dollar strengthened relative to many of the functional currencies of our foreign subsidiaries. At constant exchange rates, the decrease in revenues would have been 10.3%. Revenue growth in the first quarter of 2002 included approximately \$70 million attributable to acquisitions. Revenues excluding acquisitions decreased 16.5%, or 12.7% on a constant currency basis.

In the U.S., revenues were down 21.5% during the first quarter of 2002 compared to 2001, however, this decline shows some improvement from the 25.0% year-over-year decline experienced during the fourth quarter of 2001. In France, on a local currency basis, revenues were down 14.1% during the first quarter of 2002 compared to 2001, however the year-over-year declines improved throughout the quarter. In the United Kingdom, revenues declined 13.3%, on a constant currency basis, compared to the first quarter of 2001 as the United Kingdom experienced weaker customer demand due to the weakening economy. Revenues in the Other Europe segment, on a constant currency basis, were down 6.8% during the first quarter of 2002 compared to 2001. Revenues of Other Operations increased 21.9%, on a constant currency basis, during the first quarter of 2002 compared to 2001. Although recent acquisitions accounted for a majority of the increase, Other Operations posted revenue growth of 3.5% excluding acquisitions.

Gross profit decreased 14.3% from \$483.9 million for the first quarter of 2001 to \$414.8 million for the first quarter of 2002. The gross profit margin of 18.2% for the first quarter of 2002 was consistent with the same period of 2001. Gross profit margin gains in France and Other Operations were due primarily to improved pricing and the higher-margin acquisitions. These gains were offset by decreases in the U.S., United Kingdom and Other Europe, caused by economic conditions and changes in business mix. On an organic constant currency basis, gross profit decreased 14.6% in the second quarter of 2002 compared to 2001. Gross profit growth attributable to acquisitions was approximately \$20 million, and acquisitions had a 40 basis point (.4%) favorable impact on the gross profit margin in the first quarter of 2002.

Selling and administrative expenses, excluding goodwill amortization during the first quarter of 2001, decreased 7.4% to \$396.1 million in the first quarter of 2002. As a percent of gross profit, excluding goodwill amortization in 2001, selling and administrative expenses were 95.5% in the first quarter of 2002 compared to 88.4% in the first quarter of 2001. The increase as a percent of gross profit is due primarily to the deleveraging of the business caused by the contracting revenue levels and our continued investment in certain expanding markets. We continue to make a concerted effort to improve efficiency and control costs in all major countries.

Interest and other expense decreased \$2.3 million from the first quarter of 2001

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to \$8.0 million in the first quarter of 2002. Net interest expense, including the loss on sale of accounts receivable, was \$7.4 million in the first quarter of 2002 compared to \$8.3 million in the first quarter of 2001. This decrease was mainly due to lower interest rate levels.

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We provided for income taxes at 36.0% for the first quarter of 2002, which is equal to the estimated annual effective tax rate based on the currently available information. This rate is higher than the U.S. Federal statutory rate due primarily to foreign tax rate differences. For the year ended December 31, 2001, excluding the effect of goodwill amortization, we provided for income taxes at 35.1%.

On a diluted basis, net earnings per share was \$.09 in the first quarter of 2002 compared to \$.35 in the first quarter of 2001. The diluted net earnings per share, for the first quarter of 2002 was negatively impacted by \$.01 due to changes in exchange rates. Excluding the effect of goodwill amortization during the first quarter of 2001, net earnings per share, on a diluted basis, was \$.39.

Liquidity and Capital Resources

Cash provided by operating activities was \$30.4 million in the first quarter of 2002 compared to \$81.6 million for the first quarter of 2001. Excluding the changes in amounts advanced under the Receivables Facility, cash provided by changes in working capital requirements was \$2.5 million and \$98.5 million for the first quarter of 2002 and 2001, respectively. This decrease is mainly due to the changes in working capital obligations due to differences in the timing of vendor and payroll tax payments. Cash provided by operating activities before changes in working capital requirements was \$27.9 million in the first quarter of 2002 compared to \$50.1 million in the first quarter of 2001. This decrease is a result of lower earnings levels in 2002.

Capital expenditures were \$14.1 million in the first quarter of 2002 compared to \$21.6 million during the first quarter of 2001. These expenditures were primarily comprised of purchases of computer equipment, office furniture and other costs related to office openings and refurbishments, as well as capitalized software costs.

Net cash used to repay borrowings was \$7.0 million and \$11.4 million in the first quarter of 2002 and 2001, respectively. The amounts shown as Proceeds from long-term debt and Repayment of long-term debt relate primarily to commercial paper borrowings.

We have aggregate commitments related to debt, operating leases and the forward repurchase agreement. As of March 31, 2002, the aggregate commitments totaled approximately \$1,100.0 million, compared to \$1,130.2 million as of December 31, 2001. During the first quarter of 2002, we repurchased the remaining 900,000 shares of common stock under the forward repurchase agreement at a cost of \$30.7 million. No further obligations exist under this agreement.

Accounts receivable decreased to \$1,847.4 million at March 31, 2002 from \$1,917.8 million at December 31, 2001. This decrease is mainly due to seasonal fluctuations, as the revenue levels in the first quarter are typically lower than the fourth quarter. Changes in foreign currency exchange rates during the first quarter of 2002 negatively impacted the receivable balance by \$31.3 million. There were no amounts advanced under the Receivables Facility as of March 31, 2002, and December 31, 2001. As of March 31, 2001, there was \$78.0 million advanced under this facility.

As of March 31, 2002, we had borrowings of \$170.7 million and letters of credit

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of \$65.5 million outstanding under our \$450.0 million five-year credit facility, and borrowings of \$60.6 million outstanding under our U.S. commercial paper program. Commercial paper borrowings, which are backed by the five-year credit facility, have been classified as long-term debt due to the availability to refinance them on a long-term basis under this facility.

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We and some of our foreign subsidiaries maintain separate lines of credit with foreign financial institutions to meet short-term working capital needs. As of March 31, 2002, such lines totaled \$156.4 million, of which \$149.3 million was unused.

Our unsecured zero-coupon convertible debentures, due August 2021 ("Debentures"), allow holders of the Debentures to require us to repurchase these Debentures at the issue price, plus accreted original issue discount, on the first, third, fifth, tenth and fifteenth anniversary dates. We have the option to settle this obligation in cash, common stock, or a combination thereof. Our intent is to settle any potential "put" in cash. Under the current economic environment, we do not anticipate that the Debentures will be "put" on the first anniversary date. If a "put" does become likely, however, we expect to alter the terms of the agreement with the holders of the Debentures to prevent the "put." In the event of a significant change in the economic environment, we may choose to settle the "put" with common stock, which may have a dilutive effect on existing shareholders.

Subsequent to March 31, 2002, Standard & Poor's changed our credit rating outlook from neutral to negative and Moody's Corporation issued a press release indicating that our credit rating was under review for possible downgrade. We currently have an investment grade credit rating and do not anticipate the result of Moody's Corporation's review to decrease our credit rating below investment grade.

Forward-Looking Statements

Statements made in this quarterly report that are not statements of historical fact are forward-looking statements. All forward-looking statements involve risks and uncertainties. The information under the heading "Forward-Looking Statements" in our Annual Report on Form 10-K for the year ended December 31, 2001, which is incorporated herein by reference, provides cautionary statements identifying, for purposes of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, important factors that could cause our actual results to differ materially from those contained in the forward-looking statements. Some or all of the factors identified in our Report on Form 10-K may be beyond our control. Forward-looking statements can be identified by words such as "expect", "anticipate", "intend", "plan", "may", "will", "believe", "seek", "estimate", and similar expressions. We caution you that any forward-looking statement reflects only our belief at the time the statement is made. We undertake no obligation to update any forward-looking statements to reflect subsequent events or circumstances.

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SIGNATURES

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

MANPOWER INC.

(Registrant)

Date: November 4, 2002

/s/ Michael J. Van Handel

Michael J. Van Handel
Executive Vice President, Chief Financial Officer, and
Secretary (Signing on behalf of the Registrant and as the
Principal Financial Officer and Principal Accounting
Officer)

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CERTIFICATIONS

I, Jeffrey A. Joerres, Chairman and Chief Executive Officer of Manpower Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Manpower Inc.; and
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report.

Date: November 4, 2002

/s/ Jeffrey A. Joerres

By: Jeffrey A. Joerres
Title: Chairman and
Chief Executive Officer

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I, Michael J. Van Handel, Executive Vice President and Chief Financial Officer of Manpower Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Manpower Inc.; and
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report.

Date: November 4, 2002

/s/ Michael J. Van Handel

By: Michael J. Van Handel
Title: Executive Vice President and
Chief Financial Officer