

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

June 30, 1998

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 (IRS Employer
of incorporation) Identification No.)

5301 N. Ironwood Road 53217
Milwaukee, Wisconsin (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 [X] No []

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

Table with 2 columns: Class, Shares Outstanding at June 30, 1998. Row 1: Common Stock \$0.01 par value, 80,755,067

MANPOWER INC. AND SUBSIDIARIES

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PART I - FINANCIAL INFORMATION

Item 1 - Financial Statements

MANPOWER INC. AND SUBSIDIARIES

Consolidated Balance Sheets (Unaudited)
(in thousands)

ASSETS

| | | |
|--|----------|----------|
| | June 30, | Dec. 31, |
| | 1998 | 1997 |

CURRENT ASSETS:

| | | |
|--|------------|------------|
| Cash and cash equivalents | \$ 155,551 | \$ 142,246 |
| Accounts receivable, less allowance for doubtful accounts of \$38,467 and \$38,019, respectively | 1,651,819 | 1,437,378 |
| Prepaid expenses and other assets | 61,715 | 60,164 |
| Future income tax benefits | 46,890 | 47,113 |
| Total current assets | 1,915,975 | 1,686,901 |

OTHER ASSETS:

| | | |
|--------------------------|---------|---------|
| Investments in licensees | 33,773 | 32,763 |
| Other assets | 221,041 | 190,990 |
| Total other assets | 254,814 | 223,753 |

PROPERTY AND EQUIPMENT:

| | | |
|---|-------------|-------------|
| Land, buildings, leasehold improvements and equipment | 363,801 | 324,770 |
| Less: accumulated depreciation and amortization | 207,110 | 188,394 |
| Net property and equipment | 156,691 | 136,376 |
| Total assets | \$2,327,480 | \$2,047,030 |

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

MANPOWER INC. AND SUBSIDIARIES

Consolidated Balance Sheets (Unaudited)
(in thousands, except share data)

LIABILITIES AND STOCKHOLDERS' EQUITY

| | June 30, 1998 | Dec. 31, 1997 |
|--------------------------------------|------------------|------------------|
| CURRENT LIABILITIES: | | |
| Payable to banks | \$ 121,018 | \$ 69,848 |
| Accounts payable | 353,769 | 271,064 |
| Employee compensation payable | 63,403 | 68,416 |
| Accrued liabilities | 122,507 | 108,615 |
| Accrued payroll taxes and insurance | 247,995 | 248,605 |
| Value added taxes payable | 262,419 | 223,538 |
| Income taxes payable | 17,630 | 13,303 |
| Current maturities of long-term debt | 1,326 | 1,288 |
| Total current liabilities | 1,190,067 | 1,004,677 |

OTHER LIABILITIES:

| | | |
|-----------------------------|---------|---------|
| Long-term debt | 229,356 | 189,786 |
| Other long-term liabilities | 246,281 | 235,004 |
| Total other liabilities | 475,637 | 424,790 |

STOCKHOLDERS' EQUITY:

| | | |
|---|-----------|-----------|
| Preferred stock, \$.01 par value, authorized 25,000,000 shares, none issued | -- | -- |
| Common stock, \$.01 par value, authorized 125,000,000 shares, issued 83,187,467 and 82,778,873 shares, respectively | 832 | 828 |
| Capital in excess of par value | 1,600,243 | 1,590,704 |
| Accumulated deficit | (807,596) | (848,195) |
| Cumulative translation adjustments | (46,617) | (40,688) |
| Treasury stock at cost, 2,432,400 shares | (85,086) | (85,086) |
| Total stockholders' equity | 661,776 | 617,563 |
| Total liabilities and stockholders' equity | 2,327,480 | 2,047,030 |

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 thousands, except per share data)

| | 3 Months Ended June 30, | | 6 Months Ended June 30, | |
|-------------------------------------|----------------------------|-------------|----------------------------|-------------|
| | 1998 | 1997 | 1998 | 1997 |
| Revenues from services | \$2,136,103 | \$1,792,216 | \$4,008,969 | \$3,313,218 |
| Cost of services | 1,775,718 | 1,473,066 | 3,321,226 | 2,717,413 |
| Gross profit | 360,385 | 319,150 | 687,743 | 595,805 |
| Selling and administrative expenses | 315,450 | 257,028 | 606,045 | 493,329 |
| Operating profit | 44,935 | 62,122 | 81,698 | 102,476 |
| Interest and other income (expense) | (4,352) | (1,090) | (7,496) | (1,756) |
| Earnings before income taxes | 40,583 | 61,032 | 74,202 | 100,720 |
| Provision for income taxes | 14,411 | 20,140 | 26,340 | 33,229 |
| Net earnings | \$ 26,172 | \$ 40,892 | \$ 47,862 | \$ 67,491 |
| Net earnings per share | \$.32 | \$.50 | \$.59 | \$.82 |

| | | | | |
|---|--------|--------|--------|--------|
| Net earnings per share - assuming dilution | \$.32 | \$.49 | \$.58 | \$.81 |
| Weighted average common shares | 80,646 | 81,802 | 80,602 | 81,825 |
| Weighted average common shares - assuming dilution | 82,031 | 83,570 | 82,012 | 83,662 |

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

MANPOWER INC. AND SUBSIDIARIES

Supplemental Systemwide Information (Unaudited)
(in thousands)

| | 3 Months Ended June 30, | | 6 Months Ended June 30, | |
|------------------|----------------------------|-------------|----------------------------|-------------|
| | 1998 | 1997 | 1998 | 1997 |
| Systemwide Sales | \$2,561,343 | \$2,199,036 | \$4,838,259 | \$4,056,596 |

Systemwide information represents the total of Company-owned branches and franchises.

MANPOWER INC. AND SUBSIDIARIES

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

| | 6 Months Ended June 30, | |
|---|----------------------------|-----------|
| | 1998 | 1997 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net earnings | \$ 47,862 | \$ 67,491 |
| Adjustments to reconcile net earnings to net cash provided by operating activities: | | |
| Depreciation and amortization | 26,586 | 19,990 |
| Deferred income taxes | 223 | (2,690) |
| Provision for doubtful accounts | 7,186 | 6,702 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (232,452) | (213,439) |
| Other assets | (19,554) | (20,689) |
| Other liabilities | 163,934 | 97,344 |
| Cash used by operating activities | (6,215) | (45,291) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Capital expenditures | (63,322) | (39,107) |
| Proceeds from the sale of property and equipment | 882 | 996 |
| Cash used by investing activities | (62,440) | (38,111) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Net change in payable to banks | 51,560 | 28,298 |
| Proceeds from long-term debt | 40,292 | 29,074 |
| Repayment of long-term debt | (757) | (1,711) |
| Dividends paid | (7,263) | (6,549) |
| Repurchase of common stock | -- | (21,164) |
| Cash provided by financing activities | 83,832 | 27,948 |
| Effect of exchange rate changes on | (1,872) | (9,019) |

| | | |
|--|------------|------------|
| cash | | |
| Net change in cash and cash equivalents | 13,305 | (64,473) |
| Cash and cash equivalents, beginning of period | 142,246 | 180,553 |
| Cash and cash equivalents, end of period | \$ 155,551 | \$ 116,080 |
| SUPPLEMENTAL CASH FLOW INFORMATION: | | |
| Interest paid | \$ 4,157 | \$ 4,230 |
| Income taxes paid | \$ 16,011 | \$ 46,706 |

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, 1998 and 1997
(in thousands, except per share data)

(1) 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 the Company believes 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 the Company's latest annual report on Form 10-K for the year ended December 31, 1997.

(2) Accounting Policies

During the first quarter of 1998, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 130, "Reporting Comprehensive Income." This statement establishes standards for the reporting and display of comprehensive income and its components. Comprehensive income is the total of net earnings and all other nonowner changes in stockholders' equity. Total comprehensive income is as follows:

| | 3 Months Ended June 30, | | 6 Months Ended June 30, | |
|--|----------------------------|-----------|----------------------------|-----------|
| | 1998 | 1997 | 1998 | 1997 |
| Net earnings | \$ 26,172 | \$ 40,892 | \$ 47,862 | \$ 67,491 |
| Change in cumulative translation adjustments | 4,631 | (16,366) | (5,929) | (47,928) |
| Total comprehensive income | \$ 30,803 | \$ 24,526 | \$ 41,933 | \$ 19,563 |

In March of 1998 the American Institute of Certified Public Accountants issued Statement of Position 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use." This statement is effective for the Company beginning in 1999 and is not expected to have a material impact on the Consolidated Financial Statements.

In June of 1998, the Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." This statement establishes accounting and reporting standards

requiring that every derivative instrument be recorded on the balance sheet as either an asset or liability measured at its fair value. The statement requires that changes in the derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met, in which case, the gains or losses would offset the related results of the hedged item. This statement is effective for the Company beginning in 2000, but may be adopted earlier. The Company has not yet determined the timing or method of adoption or quantified the impact of adopting this statement. While the statement could increase volatility in earnings and other comprehensive income, it is not expected to have a material impact on the Consolidated Financial Statements due to the Company's limited use of derivative instruments.

(3) Interest Rate Swap

In January of 1998, the Company entered into an interest rate swap agreement, expiring in 2001, to fix the interest rate at 6.0% on \$50,000 of the Company's borrowings under the revolving credit agreement. This swap agreement had an immaterial impact on the recorded interest expense during the first six months of 1998. As of June 30, 1998, the variable interest rate under the revolving credit agreement was 5.9%.

(4) Operational Results

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.

(5) Earnings Per Share

During 1997 the Company adopted SFAS No. 128, "Earnings per Share." As a result, the Company's reported earnings per share for 1997 have been restated. The calculation of net earnings per share and net earnings per share - assuming dilution are as follows:

| | 3 Months Ended June 30, | | 6 Months Ended June 30, | |
|--|----------------------------|-----------|----------------------------|-----------|
| | 1998 | 1997 | 1998 | 1997 |
| Net earnings per share: | | | | |
| Net earnings available to common shareholders | \$ 26,172 | \$ 40,892 | \$ 47,862 | \$ 67,491 |
| Weighted average common shares outstanding | 80,646 | 81,802 | 80,602 | 81,825 |
| | \$.32 | \$.50 | \$.59 | \$.82 |
| Net earnings per share - assuming dilution: | | | | |
| Net earnings available to common shareholders | \$ 26,172 | \$ 40,892 | \$ 47,862 | \$ 67,491 |
| Weighted average common shares outstanding | 80,646 | 81,802 | 80,602 | 81,825 |
| Effect of dilutive stock options | 1,385 | 1,768 | 1,410 | 1,837 |
| | 82,031 | 83,570 | 82,012 | 83,662 |
| | \$.32 | \$.49 | \$.58 | \$.81 |

(6) Income Taxes

The Company has provided income taxes for the six month period ended June 30, 1998 at a rate of 35.5%, which is equal to the estimated annual effective tax rate based on the currently available information. This rate is higher than the effective tax rate for 1997 of 34.2%

due to the increase in the corporate income tax rate in France in 1997, from 36.6% to 41.6%, and the effect of net operating loss carryforwards.

(7) Business Segment Data by Geographical Segment

Geographical segment information is as follows:

| | 3 Months Ended | | 6 Months Ended | |
|-------------------------------|----------------|-------------|----------------|-------------|
| | June 30, | | June 30, | |
| | 1998 | 1997 | 1998 | 1997 |
| Revenues from services: | | | | |
| United States (a) | \$ 538,499 | \$ 500,406 | \$1,037,572 | \$ 947,807 |
| France | 900,685 | 663,411 | 1,622,074 | 1,177,797 |
| United Kingdom | 254,473 | 242,369 | 502,707 | 473,987 |
| Other Europe | 262,207 | 205,232 | 493,045 | 386,183 |
| Other Countries | 180,239 | 180,798 | 353,571 | 327,444 |
| | \$2,136,103 | \$1,792,216 | \$4,008,969 | \$3,313,218 |
| Earnings before income taxes: | | | | |
| United States | \$ 20,284 | \$ 24,585 | \$ 35,544 | \$ 41,783 |
| France | 18,150 | 20,244 | 30,216 | 31,018 |
| United Kingdom | 5,592 | 8,021 | 12,985 | 14,755 |
| Other Europe | 7,310 | 10,896 | 13,427 | 16,530 |
| Other Countries | 5,458 | 7,927 | 12,617 | 14,776 |
| Other Corporate | (11,859) | (9,551) | (23,091) | (16,386) |
| Expenses | | | | |
| Operating Profit | 44,935 | 62,122 | 81,698 | 102,476 |
| Interest & Other | (4,352) | (1,090) | (7,496) | (1,756) |
| Income (Expense) | \$ 40,583 | \$ 61,032 | \$ 74,202 | \$ 100,720 |

(a) Total systemwide sales in the United States, which include sales of Company-owned branches and franchises, was \$894,951 and \$850,392 for the three months ended June 30, 1998 and 1997, and \$1,726,200 and \$1,583,265 for the six months ended June 30, 1998 and 1997, respectively.

During 1997, the Financial Accounting Standards Board issued SFAS No. 131, "Disclosure About Segments of an Enterprise and Related Information." This Statement will be adopted by the Company as of December 31, 1998 and is not expected to significantly change the current segment reporting.

(8) Dividend

On April 23, 1998, the Company's Board of Directors declared a cash dividend of \$.09 per share which was paid on June 15, 1998 to shareholders of record on June 3, 1998.

(9) Subsequent Event

Subsequent to June 30, 1998, the Company repurchased 514,600 shares of common stock at a cost of \$13.9 million.

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

Operating Results - Three Months Ended June 30, 1998 and 1997

Revenues increased 19.2% to \$2,136.1 million for the second quarter of 1998. Revenues were unfavorably

impacted by changes in currency exchange rates during the quarter due to the strengthening of the U.S. Dollar relative to the currencies in most of the Company's non-U.S. markets. At constant exchange rates, the increase in revenues would have been 22.9%. Volume, as measured by billable hours of branch operations, increased 15.7% in the quarter. All of the Company's major markets experienced revenue increases, including the United States (7.6%), France (41.2% in French Francs) and Manpower-United Kingdom (3.4% in Pounds Sterling).

Cost of services, which consists of payroll and related expenses of temporary workers, increased as a percentage of revenues to 83.1% in the second quarter of 1998 from 82.2% in the second quarter of 1997. In certain of the Company's European markets, government employment incentive programs are in place to encourage employment by providing a credit against payroll taxes otherwise payable. In France, legislation was enacted in late 1997 that reduced the amount of such payroll tax credits beginning in January of 1998. This reduction is the primary reason for the increased cost of services in 1998.

Selling and administrative expenses increased to 14.8% of revenues, from 14.3% of revenues in the second quarter of 1997. This increase is due to significant investment in new markets, primarily in Europe, and headquarters costs and infrastructure enhancements in many of the Company's major markets.

Interest and other expense was \$4.4 million in the second quarter of 1998 compared to \$1.1 million in the second quarter of 1997. This increase is due to a \$1.6 million increase in net interest expense and a \$1.5 million increase in translation losses. Net interest expense increased in the quarter as a result of higher borrowing levels to finance the share repurchase program in 1997 and the Company's investment in new markets. The increase in translation losses is due primarily to losses recognized on the translation of the net monetary assets of operations in highly inflationary economies.

The Company provided income taxes at a rate of 35.5% during the second quarter of 1998, equal to the estimated annual effective tax rate for 1998. This rate is slightly higher than the annual effective tax rate for 1997 due to the increase in the French corporate income tax rate (see Note 6 to Consolidated Financial Statements) and the effect of net operating loss carryforwards.

On a diluted basis, net earnings per share was \$.32 in the second quarter of 1998, compared to \$.49 per share in the second quarter of 1997. The 1998 earnings were negatively impacted \$.02 due to the lower currency exchange rates in the second quarter of 1998 compared to the second quarter of 1997 and \$.01 per share due to the increase in the effective tax rate discussed above.

Operating Results - Six Months Ended June 30, 1998 and 1997

Revenues increased 21.0% to \$4,009.0 million for the first six months of 1998. Revenues were unfavorably impacted by changes in currency exchange rates during the six months due to the strengthening of the U.S. Dollar relative to the currencies in most of the Company's non-U.S. markets. At constant exchange rates, the increase in revenues would have been 25.9%. Volume, as measured by billable hours of branch operations, increased 17.7% in the six month period. All of the Company's major markets experienced revenue increases, including the United States (9.5%), France

(46.1% in French Francs) and Manpower-United Kingdom (5.2% in Pounds Sterling).

Cost of services increased as a percentage of revenues to 82.8% in the first six months of 1998 from 82.0% in the first six months of 1997. As mentioned above, the primary reason for the increased cost of services in 1998 is the reduction of payroll tax credits in France.

Selling and administrative expenses increased to 15.1% of revenues during the first six months of 1998 from 14.9% of revenues during the first six months of 1997. This increase is primarily due to significant investment in new markets, primarily in Europe, and headquarters costs and infrastructure enhancements in many of the Company's major markets.

Interest and other expense was \$7.5 million in the first six months of 1998 compared to \$1.8 million in the first six months of 1997. This increase is due to a \$2.6 million increase in net interest expense and a \$2.2 million increase in translation losses. Net interest expense increased in the period as a result of higher borrowing levels to finance the share repurchase program in 1997 and the Company's investment in new markets. The increase in translation losses is due primarily to losses recognized on the translation of the net monetary assets of operations in highly inflationary economies.

The Company provided income taxes at a rate of 35.5% during the first six months of 1998, equal to the estimated annual effective tax rate for 1998. This rate is slightly higher than the annual effective tax rate for 1997 due to the increase in the French corporate income tax rate (see Note 6 to Consolidated Financial Statements) and the effect of net operating loss carryforwards.

On a diluted basis, net earnings per share was \$.58 in the first six months of 1998, compared to \$.81 per share in the first six months of 1997. The 1998 earnings were negatively impacted \$.06 per share due to the lower currency exchange rates in the first six months of 1998 compared to the first six months of 1997 and \$.02 per share due to the increase in the effective tax rate discussed above.

Liquidity and Capital Resources

Cash used by operating activities was \$6.2 million in the first six months of 1998 compared to \$45.3 million in the first six months of 1997. The decrease in cash used reflects a significant decrease in working capital requirements between periods, \$88.1 million in the first six months of 1998 compared to \$136.8 million in the first six months of 1997, due to the lower growth rate in the first six months of 1998 compared to the first six months of 1997. Cash provided by operating activities before the changes in working capital requirements was \$81.9 million in the first six months of 1998 compared to \$91.5 million in the first six months of 1997, reflecting the lower earnings levels.

Capital expenditures were \$63.3 million in the first six months of 1998 compared to \$39.1 million during the first six months of 1997. These expenditures include capitalized software of \$18.6 million and \$17.2 million in the first six months of 1998 and 1997, respectively. The balance is comprised of purchases of computer equipment, office furniture and other costs related to office openings and refurbishments.

Net cash provided from additional borrowings was \$91.1 million in the first six months of 1998 compared to \$55.7 million in the first six months of 1997. The additional borrowings in 1998 were primarily used to support the working capital growth, investment in new markets and capital expenditures. The additional borrowings in 1997 were primarily used to support the working capital growth and the repurchase of the Company's common stock. The Company repurchased 665,600 shares of common stock during the first six months of 1997, at a cost of \$21.2 million. No shares were repurchased during the first six months of 1998. Subsequent to June 30, 1998, the Company repurchased 514,600 shares of common stock at a cost of \$13.9 million.

Accounts receivable increased to \$1,651.8 million at June 30, 1998 from \$1,437.4 million at December 31, 1997. This increase is primarily due to the growth in France and many of the Company's major markets. The change of currency exchange rates during the first six months of 1998 negatively impacted the receivable balance by \$10.8 million.

As of June 30, 1998, the Company had borrowings of \$168.6 million and letters of credit of \$52.0 million outstanding under its \$415 million U.S. revolving credit facility, and borrowings of \$58.4 million outstanding under its U.S. commercial paper program. The commercial paper borrowings have been classified as long-term debt due to the availability to refinance them on a long-term basis under the revolving credit facility.

The Company and some of its foreign subsidiaries maintain separate lines of credit with foreign financial institutions to meet short-term working capital needs. As of June 30, 1998, such lines totaled \$149.4 million, of which \$28.4 million was unused.

On April 23, 1998, the Company's Board of Directors declared a cash dividend of \$.09 per share which was paid on June 15, 1998 to shareholders of record on June 3, 1998.

Information Technology

Much of the software currently used by the Company will require modification to properly process data after December 31, 1999 (the 'Year 2000 Issues'). In all locations where the Company operates, assessments have been done to determine what modifications will be required. In addition, detailed plans and timetables have been developed to complete and test the necessary remediation. The Company expects to have the majority of all remediation and testing completed prior to June 30, 1999. The Company is also in the process of converting and upgrading many of its internal information systems to meet changing customer requirements. The Company presently believes that with these conversions and upgrades, and the remediation efforts to existing systems, all significant Year 2000 Issues will be addressed. To date, the Company has used both internal and external resources for the assessment, remediation and testing of its systems. As of June 30, 1998, approximately \$2 million has been expensed related to this assessment and remediation. The total expense is estimated to be \$7 million to \$12 million. These costs are not expected to have a material impact on the Company's financial position, results of operations or cash flows. The Company is also in the process of contacting significant vendors

and large customers to determine the extent to which the Company is vulnerable to those third parties' potential failure to remediate their own systems to address Year 2000 Issues. While the Company does not anticipate any such problems, failure by other companies or governmental entities to remediate their systems on a timely basis could have a material adverse effect on the Company.

On January 1, 1999, eleven of the fifteen member countries of the European Union (the "participating countries") are scheduled to establish fixed conversion rates between their existing sovereign currencies (the "legacy currencies") and the euro. The participating countries have agreed to adopt the euro as their common legal currency on that date. Following introduction of the euro, the legacy currencies are scheduled to remain legal tender in the participating countries as denominations of the euro between January 1, 1999 and January 1, 2002 (the "transition period"). During the transition period, public and private parties may pay for goods and services using either the euro or the participating country's legacy currency. The Company is currently assessing the impact of the euro in its business operations in all participating countries. Since the Company's labor costs and prices are generally determined on a local basis, the near-term impact of the euro is expected to be related to meeting customer invoicing requirements and making internal information systems modifications. Such modifications relate to converting currency values and to operating in a dual currency environment during the transition period. Modifications of internal information systems will occur throughout the transition period and will be coordinated with other system-related upgrades and enhancements. The Company will expense all such

system modification costs as incurred and does not expect such costs to be material to the Company's financial results.

The Company has made significant investments in information technology systems (both hardware and software) in the last several years in order to keep pace with the rapid growth of the business and to service larger and more complex customer arrangements. The Company is currently engaged in the development of new proprietary information systems for branch office administration, invoicing and payroll. These systems are in the process of being developed and are in the early stages of implementation and deployment. As of June 30, 1998, the Company had capitalized approximately \$64 million in software development costs. As with any complex system design and implementation effort, there are various risks and uncertainties, including whether such systems will meet performance expectations and whether they can be implemented on schedule. The Company regularly reviews the carrying value of all capitalized software and, under applicable accounting guidelines, is required to recognize a loss if the unamortized balance is considered unrealizable. The Company has determined that no such adjustment is currently required.

Forward-Looking Statements

Certain information included or incorporated by reference in this filing and identified by use of the words 'expects,' 'believes,' 'plans' or the like constitutes forward-looking statements, as such term is defined in Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. In addition, any information included or incorporated

by reference in future filings by the Company with the Securities and Exchange Commission, as well as information contained in written material, releases and oral statements issued by or on behalf of the Company may include forward-looking statements. All statements which address operating performance, events or developments that the Company expects or anticipates will occur or future financial performance are forward-looking statements.

These forward-looking statements speak only as of the date on which they are made. They rely on a number of assumptions concerning future events and are subject to a number of risks and uncertainties, many of which are outside of the Company's control, that could cause actual results to differ materially from such statements. These risks and uncertainties include, but are not limited to:

- material changes in the demand from larger customers, including customers with which the Company has national or global arrangements

- availability of temporary workers or increases in the wages paid to these workers

- competitive market pressures, including pricing pressures

- ability to successfully invest in and implement information systems

- unanticipated technological changes, including obsolescence or impairment of information systems

- changes in customer attitudes toward the use of staffing services

- government or regulatory policies adverse to the employment services industry

- general economic conditions in international markets

- interest rate and exchange rate fluctuations

The Company disclaims any obligation to update publicly or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Item 3 - Quantitative and Qualitative Disclosures About Market Risk

The Company's annual report on Form 10-K contains certain disclosures about market risks affecting the Company. There have been no material changes to the information provided which would require additional disclosures as of the date of this filing.

PART II - OTHER INFORMATION

Item 4 - Submission of Matters to a Vote of Security Holders

On April 23, 1998, at the Company's Annual Meeting of Shareholders (the "Annual Meeting") the shareholders of the Company voted to: (1) Elect four directors to serve until 2001 as Class II directors and (2) ratify the appointment of Arthur Andersen LLP as the Company's independent auditors for 1998. In addition, Messrs. Jon F. Chait, Dudley J. Godfrey Jr. and Marvin B. Goodman continued as Class III directors (term expiring

1999), and Messrs. Mitchell S. Fromstein and Dennis Stevenson continued as Class I directors (term expiring 2000). The results of the proposals voted upon at the Annual Meeting are as follows:

| | For | Against | Withheld | Abstain | Broker Non-Vote |
|---|------------|---------|-----------|---------|--------------------|
| 1.a) Election of J. Ira Harris | 62,904,063 | - | 2,389,164 | - | - |
| b) Election of Terry A. Hueneke | 63,435,971 | - | 1,857,256 | - | - |
| c) Election of Newton N. Minow | 64,596,318 | - | 696,909 | - | - |
| d) Election of Gilbert Palay | 62,914,301 | - | 2,378,926 | - | - |
| 2.Ratification of Arthur Andersen LLP as independent auditors | 65,222,517 | 43,177 | - | 27,533 | - |

Item 5 - Other Information

None

Item 6 - Exhibits and Reports on Form 8-K

(a) Exhibits

10 Letter agreement between Manpower Inc. and Jon F. Chait dated as of July 6, 1998

27 Financial Data Schedule

(b) Reports on Form 8-K

The Company filed one current report on Form 8-K on July 14, 1998 with respect to Item 5. Other Events for the period ended July 6, 1998.

SIGNATURES

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

MANPOWER INC.

(Registrant)

Date: August 14, 1998

/s/ Michael J. Van Handel

Michael J. Van Handel
Senior Vice President

Chief Financial Officer,
Treasurer and Secretary
(Signing on behalf of the
Registrant)

MANPOWER INC.
5301 NORTH IRONWOOD ROAD
MILWAUKEE, WISCONSIN 53217

July 6, 1998

Mr. Jon F. Chait:

This letter will confirm our agreement with respect to the terms of your separation of employment from Manpower Inc. (the "Corporation"). We have agreed as follows:

1. Resignations. By executing this letter, you resign as Executive Vice President and Secretary and Chief Financial Officer of the Corporation, effective immediately. In that regard, your employment agreement dated August 3, 1991, as amended (the "Employment Agreement"), is hereby terminated in its entirety and no longer of any force or effect. In addition, you hereby resign, effective immediately, as a director of the Corporation and as a director and/or officer of each subsidiary and affiliate of the Corporation for which you currently serve as a director and/or officer.

2. Press Release; No Disparaging Remarks. The Corporation will issue as soon as possible after the execution of this letter a press release in the form of Exhibit A attached hereto (the "Press Release") with respect to your resignation. Any public statements by you, the Corporation or any of its directors, officers, employees or spokesmen concerning your resignation or the circumstances surrounding it are to be limited to statements that substantially conform to the information set out in the Press Release. Notwithstanding the foregoing, from and after the date hereof, you will not make any statements or remarks, directly or indirectly, to any persons of a disparaging nature with respect to any of the Corporation, its subsidiaries and/or its affiliates, any of their business or operations, or any of their directors, officers, employees, agents or customers, except as required by legal process. Likewise, the Corporation agrees to not make, and that none of its directors, officers, or spokesmen will make, any statements or remarks, directly or indirectly, to any persons of a disparaging nature with respect to you, except as required by legal process.

3. Consideration. In consideration of your agreements made in this letter, and in full settlement of your rights under the Employment Agreement, the Corporation will provide the following benefits to you:

(a) The Corporation will pay to a Godfrey & Kahn, S.C. trust account, promptly upon execution hereof, One Million Six Hundred Eighty-two Thousand Dollars (\$1,682,000). The payment will be released from the trust account and paid to a bank account designated in writing by you (subject to any obligations under paragraph 5(a), below) upon the earlier of (i) the date on which you notify the Corporation in writing that your status has changed so that you are no longer subject to income taxation in Belgium, and (ii) the date on which Arthur Andersen LLP notifies the Corporation in writing of its determination that the payment can be made to you without being subject to income taxation in Belgium.

(b) The Corporation will pay to you your base compensation through the date hereof. The Corporation also will pay to you, promptly after the date hereof, Two Hundred Sixty-four Thousand Dollars (\$264,000), representing your estimated prorated incentive bonus for the 1998 fiscal year of the Corporation.

(c) The Corporation will continue for a period of one (1) year after the date hereof to provide you with coverage under the group life, health, and similar benefit plans and arrangements that are being provided to you and/or your family by the Corporation as of the date of this letter and are not discretionary in nature, subject to and on a basis consistent with the current terms, conditions and overall administration of such plans and arrangements, or with other plans or arrangements providing you with substantially equivalent benefits.

(d) You will be entitled to retain all stock options until January 6, 1999. The options may be exercised at anytime during that period in accordance with the terms of the 1991 Executive Stock Option and Restricted Stock Plan of the Corporation. In addition, subject to the approval of the Executive Compensation Committee of the Corporation, which approval will be recommended by the Chief Executive Officer of the Corporation, you will be entitled to retain until January 6, 2000 all stock options held by you as of the date hereof, and all of your stock options will immediately terminate and no longer be of any effect thereafter; provided that between January 7, 1999 and January 6, 2000, you will not be entitled to retain any of your stock options after the thirtieth (30th) day after you commence an employment, consulting or similar relationship with any competitor of the Corporation and/or its subsidiaries and/or its affiliates in any capacity, and all of your stock options will immediately terminate and no longer be of any effect thereafter. For purposes of this paragraph, "competitor" means any company or a business unit of a company that is primarily engaged in the business of providing temporary staffing services, contract services and training and testing of temporary and permanent workers.

(e) You may continue to reside at your apartment in Brussels until December 31, 1998, and the Corporation will continue to pay the rent, utilities, reasonable repair and maintenance costs, and other reasonable residential expenses until such date on the same basis as such costs and expenses previously have been paid by the Corporation. After December 31, 1998, the Corporation may terminate the lease, and you will take all actions required for such termination. The Corporation will pay all expenses relating to the termination of the lease.

(f) The Corporation and you will continue our current tax equalization arrangement relating to Belgian taxes on payments of base compensation, incentive bonus and other income items for Belgian tax purposes until all obligations of either party have been satisfied under the arrangement.

4. Return of Property. Within thirty (30)

days after the date hereof, except as provided in paragraph 5, below, you will return to the Corporation (i) all property of the Corporation, its subsidiaries and/or its affiliates in your possession, and (ii) all documents, reports, minutes, spreadsheets, financial information, electronic media, correspondence and other written or recorded material containing information of the Corporation that is proprietary or confidential. You will remove all personal items from the Corporation's premises in Milwaukee and Brussels as soon as practicable after the date hereof.

5. Retention of Property.

(a) You will purchase the following items from the Corporation at a purchase price, payable in cash promptly after the date hereof, equal to the book value of the items reflected on the balance sheets of the Corporation and/or its subsidiaries: (i) the Corporation's automobile designated for your use in the United States, (ii) the Corporation's personal computer designated for your use in Brussels, and (iii) the mobile phone designated for your use. You and the Corporation will take reasonable action necessary to transfer title to the items listed above from the Corporation to you. You will be responsible for the payment of all costs and expenses of transfer incurred by you or the Corporation.

(b) You may continue to use the Corporation's automobile designated for your use in Brussels until December 31, 1998 on the same basis as you previously have used such automobile. The Corporation will make the lease payments for such automobile until December 31, 1998, and will pay all expenses relating to the termination of the lease. You will take all actions required for such termination.

6. Other Matters.

(a) The amounts payable to you under this letter are stated before any deductions for FICA taxes, state and federal withholding taxes, and other payroll deductions required to be made by the Corporation under applicable law.

(b) This letter will be binding upon, and inure to the benefit of, you and your heirs and legal representatives, and the Corporation and its successors and assigns.

(c) No amendment, change, modification, or waiver of any of the terms, provisions or conditions of such agreement will be effective unless made in a writing signed by you and the Corporation.

(d) This letter constitutes the entire agreement between us pertaining to the subject matters covered under this letter and supersedes all negotiations, preliminary agreements and all prior or contemporaneous discussions and understandings in connection with the subject matters of this letter.

(e) This letter will be governed by and construed in accordance with the laws of Wisconsin (without applying any choice of law principles).

(f) Under no circumstances will you use or disclose any proprietary or confidential

information of the Corporation, its subsidiaries and/or its affiliates.

(g) Neither you nor the Corporation has an adequate remedy at law for damages in the event that any of the agreements in this letter are breached or otherwise not performed in accordance with their terms. Therefore, both you and the Corporation, in addition to and without limiting any other remedy or right that you or the Corporation may have, will have the right to temporary and permanent injunctive relief (without the necessity of posting bond or other security) restraining a breach or violation, or further breach or violation, of such agreements by you or the Corporation.

If this letter correctly sets forth your understanding of our agreement, please so indicate by signing a copy in the place provided below and returning it to the Corporation.

Sincerely,

MANPOWER INC.

By:/s/ Mitchell S. Fromstein

Mitchell S. Fromstein,
President and Chief
Executive Officer

I confirm my agreement with the terms and conditions of this letter.

/s/ Jon F. Chait

Jon F. Chait

Date: July 6, 1998

| | |
|------------------------------|--|
| <ARTICLE> | 5 |
| <LEGEND> | THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE FINANCIAL STATEMENTS OF THE REGISTRANT FOR THE SIX MONTHS ENDED JUNE 30, 1998 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS. |
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