

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

Mark One

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTER ENDED FEBRUARY 28, 1994

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934

COMMISSION FILE NO. 1-11288

APPLIED POWER INC.
(Exact name of Registrant as specified in its charter)

WISCONSIN 39-0168610
(State of incorporation) (I.R.S. Employer Id. No.)

13000 WEST SILVER SPRING DRIVE
BUTLER, WISCONSIN 53007
MAILING ADDRESS: P. O. BOX 325, MILWAUKEE, WISCONSIN 53201
(Address of principal executive offices) (Zip Code)

(414) 781-6600
(Registrant's telephone number)

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 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

Number of outstanding shares of Class A Common Stock: 13,030,566 as of February 28, 1994.

The Exhibit Index appears on Page 12.

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APPLIED POWER INC. AND SUBSIDIARIES

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PART I - FINANCIAL INFORMATION

ITEM 1 - FINANCIAL STATEMENTS

APPLIED POWER INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF EARNINGS
(IN THOUSANDS EXCEPT PER SHARE AMOUNTS)
(UNAUDITED)

	Three Months Ended February 28,		Six Months Ended February 28,	
	1994	1993	1994	1993
	-----		-----	
Net sales	\$101,869	\$94,873	\$205,473	\$197,187
Cost of products sold	64,196	59,784	129,208	123,108
	-----		-----	
Gross profit.	37,673	35,089	76,265	74,079
Operating expenses:				
Engineering	3,181	2,860	6,266	5,458
Selling and administrative.	25,511	25,680	52,535	53,230
	-----		-----	
Total.	28,692	28,540	58,801	58,688
Operating profit.	8,981	6,549	17,464	15,391
Other expense (income):				
Interest expense.	2,681	3,165	5,519	6,643
Amortization of intangible assets	1,280	1,213	2,535	2,434
Other, net.	90	(25)	151	(934)
	-----		-----	
Earnings before income taxes.	4,930	2,196	9,259	7,248
Income tax expense.	1,633	433	3,034	2,198
Net earnings from continuing operations before cumulative effect of accounting change.	3,297	1,763	6,225	5,050
Cumulative effect of accounting change - postretirement benefits	-	-	-	(4,355)
	-----		-----	
Earnings from continuing operations	3,297	1,763	6,225	695
Discontinued operations, net of taxes: (Earnings) loss from operations previously offset against reserve for estimated loss on disposition.	-	783	(348)	803
	-----		-----	
Net earnings	\$ 3,297	\$ 2,546	\$ 5,877	\$ 1,498
	=====		=====	
Net earnings (loss) per share:				
Continuing operations	\$ 0.25	\$ 0.13	\$ 0.47	\$ 0.39
Cumulative effect of accounting change.	-	-	-	(0.33)
Discontinued operations	-	0.06	(0.02)	0.06
	-----		-----	
Net earnings	\$ 0.25	\$ 0.19	\$ 0.45	\$ 0.11
	=====		=====	

Weighted average shares outstanding.	13,169	13,092	13,154	13,080
	=====	=====	=====	=====
Cash dividends paid per share	\$ 0.03	\$ 0.03	\$ 0.06	\$ 0.06
	=====	=====	=====	=====

<FN>

See accompanying Notes to Condensed Consolidated Financial Statements

APPLIED POWER INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEET
(IN THOUSANDS EXCEPT PER SHARE AMOUNTS)
(UNAUDITED)

	February 28, 1994	August 31, 1993
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 680	\$ 1,320
Net accounts receivable	56,414	49,463
Net inventories	89,940	85,730
Prepaid expenses	15,631	14,743
Net assets held for sale	5,150	12,035
	-----	-----
Total Current Assets	167,815	163,291
Other assets	6,504	8,181
Net property, plant and equipment	60,937	61,988
Intangible assets	70,711	72,457
	-----	-----
Total Assets	\$305,967	\$305,917
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Short-term borrowings	\$ 21,823	\$ 20,401
Trade accounts payable	28,958	26,176
Accrued compensation and benefits	11,335	12,551
Income taxes payable	4,994	6,500
Other current liabilities	23,562	25,454
Current maturities of long-term debt	29,306	10,745
	-----	-----
Total Current Liabilities	119,978	101,827
Long-term debt, less current maturities	64,700	86,785
Deferred income taxes	16,318	17,649
Other deferred liabilities	11,738	11,646
Shareholders' Equity		
Class A common stock, \$0.20 par value, authorized 40,000 shares, issued and outstanding 13,031 and 13,005 shares, respectively	2,606	2,601
Additional paid-in capital	21,965	21,654
Retained earnings	65,918	60,823
Cumulative translation adjustments	2,744	2,932
	-----	-----
Total Shareholders' Equity	93,233	88,010
	-----	-----
Total Liabilities and Shareholders' Equity	\$305,967	\$305,917
	=====	=====

<FN>

See accompanying Notes to Condensed Consolidated Financial Statements

APPLIED POWER INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(IN THOUSANDS)
(UNAUDITED)

	Six Months Ended February 28, 1994	1993
	-----	-----
Operating Activities		
Net earnings from continuing operations	\$6,225	\$ 695
Adjustments to reconcile net earnings from continuing operations to net cash provided by (used in) operating activities:		
Depreciation and amortization	9,825	9,424
Non-cash charge - adoption SFAS 106	-	4,355
Changes in operating assets and liabilities, excluding effect of business acquisition:		
Net receivables	(7,015)	(4,045)
Net inventories	(3,892)	(5,069)
Prepaid expenses	(910)	(1,030)
Other assets	1,603	(1,896)
Trade accounts payable	2,729	1,082
Income taxes payable	(1,555)	(429)
Other liabilities	(5,452)	(7,186)
	-----	-----
Net Cash Provided by (Used in) Operating Activities	1,558	(4,099)
Investing Activities		

Proceeds on sale of property, plant and equipment	892	1,873
Capital expenditures	(6,071)	(6,465)
Acquisition of Palmer Industries	(1,534)	-
Other	3	777
	-----	-----
Net Cash Used in Investing Activities	(6,710)	(3,815)
Financing Activities		
Net short-term borrowings	1,572	5,305
Borrowings (repayments) of long-term debt	(3,485)	948
Capital stock transactions	316	107
Dividends paid on common stock	(782)	(778)
	-----	-----
Net Cash Provided by (Used in) Financing Activities	(2,379)	5,582
Effect of Exchange Rate Changes on Cash	6	(450)
	-----	-----
Net Cash Used in Continuing Operations	(7,525)	(2,782)
Discontinued Operation Activities		
Proceeds from sale of Datafile	6,222	-
Other	663	308
	-----	-----
Net Cash Provided by Discontinued Operations	6,885	308
	-----	-----
Net Decrease in Cash and Cash Equivalents	(640)	(2,474)
Cash and Cash Equivalents at Beginning of Period	1,320	3,447
	-----	-----
Cash and Cash Equivalents at End of Period	\$ 680	\$ 973
	=====	=====

<FN>

See accompanying Notes to Condensed Consolidated Financial Statements

APPLIED POWER INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(IN THOUSANDS EXCEPT PER SHARE AMOUNTS)

NOTE A - BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements of Applied Power Inc. and Subsidiaries (the "Company") have been prepared in accordance with generally accepted accounting principles for interim financial reporting and with the instructions of Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. For additional information, refer to the consolidated financial statements and footnotes thereto in the Company's 1993 Annual Report.

Operating results for the three and six months ended February 28, 1993 have been restated to reflect the adoption of Statement of Financial Accounting Standards ("SFAS") No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions", and SFAS No. 109, "Accounting for Income Taxes", both effective September 1, 1992. The condensed consolidated financial statements have also been adjusted to reflect the retention of certain Wright Line operations, as described in Note B - Discontinued Operations.

In the opinion of management, all adjustments considered necessary for a fair presentation have been made. Such adjustments consist of only those of a recurring nature. Operating results for the three and six months ended February 28, 1994 are not necessarily indicative of the results that may be expected for the fiscal year ending August 31, 1994.

NOTE B - DISCONTINUED OPERATIONS

During the third quarter of fiscal 1992, a formal plan was authorized to offer for sale the Company's Wright Line business ("Wright Line").

On October 8, 1993, the Company completed the sale of Wright Line's Datafile business for approximately \$6,222 of cash, plus future compensation. Proceeds from this transaction were used to reduce debt. Also during the first quarter of fiscal 1994, an agreement was reached to sell the real estate at Wright Line's headquarters and manufacturing operations in Worcester, Massachusetts. Estimated gross proceeds are \$7,500, and would be used to reduce debt. This transaction is expected to close in fiscal 1994.

During the second quarter of fiscal 1994, the Company announced its decision to return the remainder of the Wright Line business to continuing operations. The retained business, whose sales are primarily in North America, has refocused its business strategy on technical furniture solutions for the information technology environment. The introduction of the new Local Area

Network Management System in early 1993, and the benefits of restructuring in 1993 have contributed to Wright Line's improved operating performance. The retained Wright Line business' net assets and results of operations for all periods have been reclassified from discontinued operations to continuing operations in the accompanying financial statements.

The following represents the impact of the retained Wright Line operations on reported results:

	Three Months Ended February 28,		Six Months Ended February 28,	
	1994	1993	1994	1993
Sales				
Sales from continuing operations excluding Wright Line	\$90,466	\$86,407	\$181,563	\$178,128
Sales from retained Wright Line operations	11,403	8,466	23,910	19,059
	-----	-----	-----	-----
Adjusted sales from continuing operations.	\$101,869	\$94,873	\$205,473	\$197,187
	-----	-----	-----	-----
Earnings				
Net income from continuing operations before cumulative effect of accounting change, excluding Wright Line.	\$2,872	\$2,546	\$5,452	\$5,853
Net income (loss) from retained Wright Line operations.	425	(783)	773	(803)
	-----	-----	-----	-----
Adjusted net income from continuing operations before cumulative effect of accounting change	\$ 3,297	\$1,763	\$6,225	\$5,050
	-----	-----	-----	-----
Earnings Per Share				
Earnings per share from continuing operations before cumulative effect of accounting change, excluding Wright Line.	\$ 0.22	\$ 0.19	\$ 0.42	\$ 0.44
Earnings per share from retained Wright Line operations.	0.03	(0.06)	0.06	(0.06)
Adjusted earnings per share from continuing operations before cumulative effect of accounting change	\$ 0.25	\$ 0.13	\$ 0.47	\$ 0.39
	-----	-----	-----	-----

NOTE C - ACQUISITION

Effective October 1, 1993, the Company completed the acquisition of certain assets of Palmer Industries, Inc. ("Palmer") for approximately \$1,534 in cash and a \$350 note. Approximately \$490 of the purchase price was assigned to goodwill. Palmer, based in Alexandria, Minnesota, is a leading manufacturer of plastic and metal staples, fasteners and straps. The operating results of Palmer subsequent to October 1, 1993 are included in the Condensed Consolidated Statement of Earnings.

ITEM 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION
(IN THOUSANDS EXCEPT PER SHARE AMOUNTS)

RESULTS OF OPERATIONS

Net earnings from continuing operations for the second quarter of 1994 were \$3,297, or \$.25 per share, compared to \$1,763, or \$.13 per share for the comparable prior year period. For the first six months of 1994, net earnings from continuing operations before cumulative effect of accounting change were \$6,225, or \$.47 per share, compared to \$5,050, or \$.39 per share for the comparable period last year. Improved current year results at Wright Line, Barry Controls and Power-Packer were key factors in increased current year earnings.

Sales for the second quarter of 1994 were \$101,869, up 7.4% from \$94,873 in the prior year. Sales for the first six months of 1994 were \$205,473, an increase of 4.2% over the comparable prior year period. Power-Packer, APITECH, Wright Line and GB Electrical all reported sales gains in the current year. Improvement in the industrial sector at Barry Controls was offset by a decline in the aerospace market. Enerpac sales in the second quarter and first half of fiscal 1994 were 2% and 5% lower, respectively, than the prior year due to poor economic conditions in Japan and Europe.

The Company's gross profit percentage for the second quarter was unchanged from the prior year second quarter, at 37.0%. Year-to-date margins in fiscal 1994 are slightly lower than last year due to a shift in product mix.

Operating expenses for the first six months of fiscal 1994 were approximately equal to those in the comparable prior year period. The Company has increased its investment in engineering projects and prototypes in the current year, which has resulted in an approximate 15% increase in engineering expense over the comparable period last year. However, selling and administrative expenses declined during the same period as a result of cost containment programs and the benefits of restructuring steps implemented in 1993 at Barry Controls, Enerpac and Power-Packer.

Interest expense for the three and six months ended February 28, 1994, declined from comparable prior year periods due to reductions in outstanding indebtedness and lower market interest rates.

Other-net operating expenses incurred during the first six months of fiscal 1993 included certain non-recurring gains.

A \$4,355 net charge was recorded in the quarter ended November 30, 1992 to reflect the Company's adoption of SFAS No.106 - "Employers' Accounting for Postretirement Benefits Other Than Pensions".

In the second quarter of fiscal 1994, the Company announced its decision to retain the non-divested portion of the Wright Line business. Included under the caption "Discontinued Operations, net of tax" is (income)/loss generated by the retained Wright Line operations which had previously been offset against the discontinued operations reserve.

LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents totalled \$680 at February 28, 1994 and \$1,320 at August 31, 1993. In order to minimize interest expense, the Company intentionally maintains low cash balances and uses available cash to reduce short-term bank borrowings.

Cash generated from (used in) operations, after considering non-cash items and changes in operating assets and liabilities, totalled \$1,558 for the first six months of fiscal 1994, as opposed to \$(4,099) for the comparable prior year period. Earnings from continuing operations of \$6,225, coupled with non-cash items of \$9,825, generated \$16,050 of cash in the first half of the current fiscal year. Partially offsetting this were increases in inventory and receivables of \$7,015 and \$3,892, respectively, necessitated by higher sales volume and seasonal demands. Income tax payments in excess of income tax expense during the first six months also used cash during the current periods.

Cash used in investing activities totalled \$6,710 for the first half of fiscal 1994, the majority of which was used for capital expenditures and the acquisition of Palmer Industries.

The Company reduced debt from \$117,931 at August 31, 1993 to \$115,829 at February 28, 1994.

The Company's two revolving credit agreements expire within the next twelve months. Accordingly, all outstanding indebtedness under such agreements, totalling approximately \$18,560, has been included in "Current maturities of long-term debt" in the Condensed Consolidated Balance Sheet. The Company anticipates either extending these agreements or entering into new facilities prior to their expiration.

The Company's first installment payment on its Senior Unsecured Notes is due August 15, 1994. This \$10,650 cash requirement will be funded by cash generated from operations and funds available under short-term borrowings.

The Company generated \$6,885 of cash from discontinued operations in the current year, of which \$6,222 was received in conjunction with the sale of Datafile.

In the fourth quarter of fiscal 1993, the Company recorded a \$6,700 (\$.33 per share) pre-tax charge primarily related to consolidating certain manufacturing, distribution and administrative functions at its European operations and idle facility costs at Barry Controls. Approximately \$2,291 of such costs had been incurred as of February 28, 1994. The majority of the remainder, \$4,409, will be incurred during the balance of fiscal 1994 on severance and consolidation expenditures.

The Company anticipates that funds generated from operations and available under short and long-term credit facilities will be adequate to meet

anticipated operating, restructuring, debt service and capital expenditure requirements for the foreseeable future.

ACCOUNTING PRONOUNCEMENTS

In December 1992, the Financial Accounting Standards Board issued Statement No. 112, "Employers' Accounting for Postemployment Benefits", which requires accrual of postemployment benefits during the years an employee provides services. Although management is in the process of evaluating this new pronouncement, the adoption of it is not expected to have significant impact on the Company's financial position or results of operations. The Company intends to adopt this new pronouncement on or prior to September 1, 1994.

PART II - OTHER INFORMATION

ITEM 4 - SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The Annual Meeting of Shareholders was held on January 10, 1994. The only matter voted on by shareholders at the meeting was the election of directors. Each director nominee was elected. The number of shares and votes for each nominee is set forth below:

	Votes For	Votes Withheld
H. Richard Crowther	10,793,952 shares	54,793 shares
Jack L. Heckel	10,793,912 shares	54,833 shares
Richard M. Jones	10,792,630 shares	56,115 shares
Richard A. Kashnow	10,793,852 shares	54,893 shares
Richard T. Savage	10,793,952 shares	54,793 shares
Richard G. Sim	10,788,035 shares	60,710 shares
Raymond S. Troubh	10,792,890 shares	55,855 shares

ITEM 6 - EXHIBITS AND REPORTS ON FORM 8-K

(a) See Index to Exhibits on page 12.

(b) There were no reports on Form 8-K filed during the three months ended February 28, 1994 or thereafter through the date of this report.

SIGNATURE

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.

APPLIED POWER INC.
(Registrant)

Date: April 14, 1994

By: /s/David L. Harbert
David L. Harbert
Senior Vice President
and Chief Financial Officer
(Principal Financial Officer)

INDEX TO EXHIBITS

Exhibit Number	Description	Page No.
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EXHIBIT 11

APPLIED POWER INC. AND SUBSIDIARIES
 COMPUTATION OF EARNINGS PER SHARE
 (IN THOUSANDS EXCEPT PER SHARE AMOUNTS)

	Three Months Ended February 28,		Six Months Ended February 28,	
	1994	1993	1994	1993
PRIMARY:				
Average shares outstanding	13,016	12,971	13,013	12,967
Net effect of dilutive options based on the treasury stock method using average market price				
	153	121	141	113
Total	13,169	13,092	13,154	13,080
Net earnings (loss):				
Earnings from continuing operations before cumulative effect of accounting change	\$ 3,297	\$ 1,763	\$ 6,225	\$ 5,050
Cumulative effect of accounting change	-	-	-	(4,355)
Discontinued operations	-	783	(348)	803
Net earnings	\$ 3,297	\$ 2,546	\$ 5,877	\$ 1,498
Primary earnings (loss) per share:				
Earnings from continuing operations before cumulative effect of accounting change	\$ 0.25	\$ 0.13	\$ 0.47	\$ 0.39
Cumulative effect of accounting change	-	-	-	(0.33)
Discontinued operations	-	0.06	(.02)	.06
Total	\$ 0.25	\$ 0.19	\$ 0.45	\$ 0.11
FULLY DILUTED: (A)				
Average shares outstanding	13,016	12,971	13,013	12,967
Net effect of dilutive options based on the treasury stock method using average market price				
	235	124	238	115
Total	13,251	13,095	13,251	13,082
Net earnings (loss):				
Earnings from continuing operations before cumulative effect of accounting change \$ 3,297 \$ 1,763 \$ 6,225 \$ 5,050				
Cumulative effect of accounting change	-	-	-	(4,355)
Discontinued operations	-	783	(348)	803
Net earnings	\$ 3,297	\$ 2,546	\$ 5,877	\$ 1,498
Fully diluted earnings (loss) per share:				
Earnings from continuing operations before cumulative effect of accounting change	\$ 0.25	\$ 0.13	\$ 0.47	\$ 0.39
Cumulative effect of accounting change	-	-	-	(0.33)
Discontinued operations	-	0.06	(0.03)	0.06
Total	\$ 0.25	\$ 0.19	\$ 0.44	\$ 0.11

(A) Dilution of less than 3%; therefore not presented in Condensed Consolidated Statement of Earnings.