

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-K

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

For the fiscal year ended AUGUST 31, 1996  
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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 No. 1 - 11288  
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APPLIED POWER INC.  
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(Exact name of Registrant as specified in its charter)

-----  
WISCONSIN

(State or other jurisdiction of  
incorporation or organization)

39-0168610  
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(I.R.S. Employer  
Identification No.)

13000 WEST SILVER SPRING DRIVE  
BUTLER, WISCONSIN 53007  
MAILING ADDRESS: P.O. BOX 325, MILWAUKEE, WISCONSIN 53201  
-----

(Address of principal executive offices)

(414) 781-6600  
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(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

CLASS A COMMON STOCK, \$ .20 PAR VALUE PER SHARE ----- (Title of each class)	NEW YORK STOCK EXCHANGE ----- (Name of each exchange on which registered)
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Securities registered pursuant to Section 12(g) of the Act: NONE

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, and (2) has been subject to such filing  
requirements for the past 90 days. YES /X/ NO  
--- ---

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405  
of Regulation S-K is not contained herein, and will not be contained, to the  
best of registrant's knowledge, in definitive proxy or information statements  
incorporated by reference in Part III of this Form 10-K or any amendment to  
this Form 10-K. /X/

As of October 31, 1996, the aggregate market value of Common Stock held by  
non-affiliates was approximately \$471.6 million, and there were 13,727,401  
shares of the Registrant's Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive Proxy Statement for the Annual Meeting of  
Shareholders to be held on January 8, 1997 are incorporated by reference into  
Part III hereof.

ITEM 1. BUSINESS

GENERAL DEVELOPMENT OF THE COMPANY

Applied Power Inc. (the "Company"), a Wisconsin corporation incorporated in 1910, is a diversified global company engaged in the business of providing tools, equipment, systems and consumable items to a variety of end-users and original equipment manufacturers in the manufacturing, construction, transportation, natural resource, aerospace, defense and other industries.

The Company's operations are divided into three business segments:

Distributed Products

Specialized tools and consumables sold primarily through distribution.

Engineered Solutions

Hydraulic motion and vibration isolation customized products and systems primarily sold to OEM customers.

Wright Line

Technical environment solutions for offices and laboratories.

During the fiscal year, the Company's Distributed Products segment made several business acquisitions. Vision Plastics Manufacturing Company, acquired on September 29, 1995, manufactures plastic cable ties which are sold through electrical wholesale, retail and OEM channels and is based in San Diego, California. On October 26, 1995, Designed Fluid-Air Systems, Inc. ("DFAS"), located in Oswego, Illinois, was acquired. DFAS designs, fabricates and assembles customized quick die change systems utilizing hydraulic, pneumatic and electrical components. The remaining 10% minority interest in Applied Power Korea was acquired on December 8, 1995. On May 15, 1996, CalTerm, Inc., a supplier of electrical consumables and tools, was merged with a wholly-owned subsidiary of the Company. CalTerm, Inc. is headquartered in San Diego, California.

The Company's Wright Line segment acquired the European distribution rights for its products on February 23, 1996.

On December 13, 1995, the Company's Distributed Products segment sold its HIT spring steel product line for an amount approximating its book value. In addition, the Company sold substantially all of the assets and liabilities of its APITECH mobile equipment product line, which was part of the Engineered Solutions segment, on January 24, 1996.

Following the end of the fiscal year, the Company, through its Wright Line subsidiary, completed the acquisition of the net assets of Everest Electronic Equipment, Inc. ("Everest"). Everest, based in Anaheim, California, manufactures custom and standard electronic enclosures used primarily by the computer, telecom, and datacom industries. Everest will be integrated with Applied Power's Wright Line business segment.

For further information regarding the Company's acquisitions and dispositions, see Note C - "Acquisitions" and Note D - "Sales of Product Lines" in Notes to Consolidated Financial Statements.

Financial information by segment and geographic area, as well as information related to export sales, is included in Note N - "Segment Information" in Notes to Consolidated Financial Statements, which is included as part of Item 8 of Part II of this report and is incorporated herein by reference.

All amounts are in thousands of US Dollars unless otherwise indicated.

DESCRIPTION OF BUSINESS SEGMENTS

DISTRIBUTED PRODUCTS

Distributed Products is engaged in the design, manufacture and distribution of tools and consumables to the construction, electrical wholesale, retail DIY, datacom, retail automotive, industrial and production automation markets. These products are sold through the Enerpac and GB Electrical businesses.

Distributed Products supplies approximately 13,000 SKU's. The vast majority of products are manufactured, while select low volume products are sourced.

Enerpac is a specialist in hydraulic high force tools for the construction and industrial markets, and also supplies quick mold change systems for the plastic injection molding industry, quick die change systems for the metal stamping industry and workholding products for the machining industry. GB Electrical is a large volume manufacturer of wire connectors, conduit benders, plastic cable ties and fish tapes for the electrical wiring industry.

Distributed Products has engineering, manufacturing and warehousing operations in various areas of the United States, including Wisconsin, Illinois, Minnesota, North Carolina, California, Nevada, and Connecticut. Globally, the segment has operations throughout Europe, Asia and, to a lesser extent, South America.

The high force tools and other production automation components are primarily distributed through a worldwide network of over 2,500 independent distributors as well as directly to certain OEM customers. Wholesale distributors, home centers, hardware co-ops, mass merchandisers, and automotive parts and accessory retailers combine to distribute the segment's electrical tools and accessories product lines. This network includes approximately 4,000 electrical wholesale accounts as well as retailers including Sears, Ace Hardware, Builders Square, Payless Cashways, Wal-Mart, The Home Depot, Cotter & Co., Pep Boys, Western Auto, and other major chains, which in total represent over 23,000 consumer outlets.

#### ENGINEERED SOLUTIONS

Engineered Solutions focuses on developing and marketing value-added, customized solutions for OEMs in the automotive, truck, off-highway equipment, medical, aerospace, semiconductor, defense and industrial markets. Engineered Solutions is comprised of the Power-Packer, APITECH, and Barry Controls businesses. Engineered Solutions' expertise is primarily in the areas of hydraulic motion control and vibration isolation. The business is particularly skilled in using electronics to create smart or active systems to control motion.

Primary applications in the automotive industry include convertible top actuation systems and electric hydraulic valves used to control hydraulic systems on cars. In the truck industry, the business supplies cab-over-engine hydraulic tilt systems, cab suspension systems, engine mount systems and other vibration isolation components. Medical applications include self-contained hydraulic actuators that are primarily used in conjunction with hospital beds as well as vibration isolation products for medical instrumentation. In aerospace, the segment is the leading supplier of engine vibration isolation systems to aircraft manufacturers as well as directly to airlines to support maintenance operations. In addition to these major markets, the segment's products are used in a wide variety of applications in other industries.

The segment maintains engineering, manufacturing and sales organizations in North America, Europe and Asia. The segment's products are primarily sold through direct sales people, with sales representatives being used in certain situations. The segment's success requires close cost control, high quality and just-in-time delivery. Most of the segment's manufacturing operations are ISO-9000 certified and the segment continues to make significant investments directed at upgrading its manufacturing capability on an ongoing basis.

#### WRIGHT LINE

Wright Line designs, manufactures and sells furnishings and enclosures utilized in technology intensive business environments. Applications for these products include local area networks, multimedia production, electrical

engineering and testing, telecommunication centers and R&D laboratories. In addition, Wright Line provides modular workstations used in the computerized office.

Wright Line sells customized systems primarily using direct sales personnel. Wright Line employs over 200 direct sales people in the United States. Wright Line's products are marketed in Asia and Europe through direct salespeople and dealers, depending on the country. Its products are primarily sold to commercial and governmental end-users. Sales to the Federal Government, which now average approximately 25% of total Wright Line net sales, are made pursuant to a contract between Wright Line and the US Government's General Services Administration. Product is primarily manufactured in Worcester, Massachusetts.

#### COMPETITION

The Company competes on the basis of product design, quality, availability, performance, customer service and price. The Company believes that its technical skills, global presence, shared technology base, close working relationships with customers as well as patent protection bolster its competitive position.

The Company's businesses face competition to varying degrees in each of their markets. In general, each product line competes with a small group of different competitors. No one company competes directly with the Company across all of its businesses. Some competitors are substantially larger than the Company and have greater financial resources.

#### RESEARCH AND DEVELOPMENT

The Company maintains engineering staffs at several locations which design new products and make improvements to existing product lines. Expenditures for research and development were \$9,852, \$8,725 and \$7,446 in fiscal years 1996, 1995 and 1994, respectively. Substantially all research, development and product improvement expenditures are Company funded.

#### PATENTS AND TRADEMARKS

The Company has been issued a number of patents that provide protection of valuable designs and processes in its Distributed Products and Engineered Solutions businesses. Numerous other United States and foreign patents and trademarks are owned by the Company, although no such individual patent or trademark (or group thereof) is believed to be of sufficient importance that its termination would have a materially adverse effect on the Company's business.

#### MANUFACTURING, MATERIALS AND SUPPLIERS

The majority of the Company's manufacturing operations include the assembly of parts and components which have been purchased by the Company from a number of suppliers. In the absence of unusual circumstances, substantially all such products are normally available from a number of local and national suppliers.

#### ORDER BACKLOGS AND SEASONALITY

At August 31, 1996, the Company had approximately \$83,500 in backlog, compared to approximately \$88,200 at August 31, 1995. Substantially all orders are expected to be completed prior to August 31, 1997. The Company's sales are subject to minor seasonal fluctuations, with second quarter sales traditionally being the lowest of the year.

#### EMPLOYEE RELATIONS

As of August 31, 1996, the Company employed 3,035 people on a full-time basis, none of which are subject to a collective bargaining agreement. In general, the Company enjoys good relationships with its employees.

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#### ENVIRONMENTAL COMPLIANCE

The Company has facilities in numerous geographic locations which are subject to a range of environmental laws and regulations. Compliance with these laws has and will require expenditures on a continuing basis. Environmental expenditures are expensed or capitalized depending on their future economic benefit. The Company has been identified by the United States Environmental Protection Agency as a "Potentially Responsible Party" regarding seven multi-party Superfund sites. Based on its investigations, the Company believes it is a de minimis participant in each case, and that any liability which may be incurred as a result of its involvement with such Superfund sites, taken together with its expenditures for environmental compliance, will not have a material adverse effect on its financial position. Liabilities are recorded when environmental remediation is probable and the costs can be reasonably estimated. Environmental remediation accruals of \$611 and \$573 were included in the Consolidated Balance Sheet at August 31, 1996 and 1995, respectively. For further information, refer to Note O - "Contingencies and Litigation" in Notes to Consolidated Financial Statements.

#### ITEM 2. PROPERTIES

The following table summarizes the principal manufacturing, warehouse and office facilities owned or leased by the Company:

Location and Business	Size (sq. feet)	Owned/Leased
DISTRIBUTED PRODUCTS		
Glendale, Wisconsin	280,000	Leased
Columbus, Wisconsin	130,000	Leased
Veenendaal, Netherlands	97,000	Owned
San Diego, California	69,000	Leased
Pachuca, Mexico	69,000	Leased
Troyes, France	67,000	Leased
Tecate, Mexico	54,000	Leased
Reno, Nevada	50,000	Owned
Tokyo, Japan	45,000	Leased
Matthews, North Carolina	33,000	Owned
Alexandria, Minnesota	25,000	Owned
Seoul, South Korea	22,000	Leased
Singapore, Singapore	15,000	Leased
Milford, Connecticut	11,000	Owned
ENGINEERED SOLUTIONS		
Brighton, Massachusetts	227,000	Leased
Burbank, California	126,000	Leased
Oldenzaal, Netherlands	74,000	Owned
Westfield, Wisconsin	48,000	Owned
Hersham, England	39,000	Leased
Butler, Wisconsin	10,000	Leased
WRIGHT LINE		
Worcester, Massachusetts	241,000	Owned

In addition to these properties, the Company utilizes a number of smaller facilities in South Korea, Spain, Italy, Canada, Brazil, France, Germany, Australia, Russia, Taiwan, India, the Peoples Republic of China, the United Kingdom and the United States. The Company's headquarters are based in a 68,000 square foot leased office facility in Butler, Wisconsin, which is also utilized by the Distributed Products and Engineered Solutions segments.

The Company's strategy is to lease properties when available and economically advantageous. Leases for the majority of the Company's facilities include renewal options. For additional information, see Note I - "Leases" in Notes to Consolidated Financial Statements. The Company believes its current properties are well maintained and in general are adequately sized to house existing operations.

### ITEM 3. LEGAL PROCEEDINGS

The Company is a party to various legal proceedings which have arisen in the normal course of its business. These legal proceedings typically include product liability, environmental and patent claims. (For further information related to environmental claims, refer to "Environmental Compliance" on page 5). The Company has recorded reserves for loss contingencies based on the specific circumstances of each case. Such reserves are recorded when the loss is probable and can be reasonably estimated. In the opinion of management, the resolution of these contingencies will not have a materially adverse effect on the Company's financial condition or results of operations.

### ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

### EXECUTIVE OFFICERS OF THE REGISTRANT

The names, ages and positions of all of the executive officers of the Company are listed below.

<TABLE>  
<CAPTION>

Name	Age	Position
<S>	<C>	<C>

Richard G. Sim	52	Chairman, President and Chief Executive Officer; Director
William J. Albrecht	45	Senior Vice President, Engineered Solutions
Gustav H.P. Boel	52	Vice President, President of Enerpac
Philip T. Burkart	39	Vice President, President of Wright Line Inc.
Theodore M. Lecher	45	Vice President, President GB Electrical, Inc.
Robert C. Arzbaecher	36	Vice President, Chief Financial Officer
Dale A. Knutson	64	Vice President, Technology
Douglas R. Dorszynski	44	Vice President, Tax and Treasurer
Richard D. Carroll	33	Corporate Controller
Anthony W. Asmuth III	54	Secretary

</TABLE>

Richard G. Sim was elected President and Chief Operating Officer in 1985, Chief Executive Officer in 1986 and Chairman of the Board in 1988. From 1982 through 1985, Mr. Sim was a General Manager in the General Electric Medical Systems Business Group. He is also a director of IPSCO Inc. and Falcon Building Products, Inc.

William J. Albrecht was named Senior Vice President of Engineered Solutions in 1994. Prior to that, he served as Vice President and President of Power-Packer and APITECH since 1991. He joined the Company in 1989 as General Manager of the APITECH Division in the United States. Prior to joining the Company, Mr. Albrecht was Director of National Accounts and Industrial Power Systems at Generac Corp. from 1987 to 1989 and Vice President-Sales at NP Marketing from 1985 to 1987.

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Gustav H.P. Boel was elected Vice President of the Company and named President of the Company's Enerpac business in 1995. From 1991 until that time, he was Managing Director of Power-Packer Europe. From 1990 to 1991, Mr. Boel was Technical Director for Groeneveld, located in Holland. Prior to 1990, he spent nineteen years with Enerpac in the Netherlands, where he last held the position of Managing Director.

Philip T. Burkart was elected Vice President of the Company in 1995 and named the President of Wright Line Inc. in 1994. From 1990 to 1994, Mr. Burkart held various positions within Wright Line Inc. including: General Manager, Vice President, Marketing and Operations and Director of Marketing. Prior to joining the Company, Mr. Burkart was a Marketing Manager for GE Medical Systems.

Theodore M. Lecher has served as President of GB Electrical, Inc. (Gardner Bender, Inc. prior to its acquisition by the Company in 1988) since 1986, and as a Company Vice President since 1988. He was Vice President-General Manager of Gardner Bender, Inc. from 1983 to 1986, and prior to that, Director of Sales and Marketing since 1980. Mr. Lecher has been associated with GB Electrical, Inc. since 1977.

Robert C. Arzbaecher was named Vice President and Chief Financial Officer in 1994. He had served as Vice President, Finance of Distributed Products from 1993 to 1994. He joined the Company in 1992 as Controller. From 1988 through 1991, Mr. Arzbaecher was employed by Grabill Aerospace Industries LTD, where he last held the position of Chief Financial Officer. Prior to 1988, Mr. Arzbaecher held various financial positions at Farley Industries Inc. and at Grant Thornton and Company, a public accounting firm.

Dale A. Knutson has served as Vice President, Technology since 1987. From 1982 until 1987, he held the position of Vice President, Product Engineering. Mr. Knutson has been associated with the Company since 1969.

Douglas R. Dorszynski was appointed Vice President, Tax and Treasurer in 1994. Mr. Dorszynski joined the Company in 1983 as Corporate Tax Manager and was subsequently appointed Director, Tax and Special Project Planning in 1985. Prior to joining the Company, Mr. Dorszynski was employed by Arthur Young & Co., a public accounting firm, from 1978 to 1983.

Richard D. Carroll joined the Company as Corporate Controller in 1996. Mr. Carroll was previously employed with the Northwest Indiana Water Company as its Vice President/Controller during 1995. Prior to that, he was Controller for Nypro Chicago from 1993 to 1995. For 1990 through 1993, Mr. Carroll was Controller at Roquette America, Inc. Prior to that, he was employed at Grabill Aerospace Industries LTD and at Grant Thornton, a public accounting firm.

Anthony W. Asmuth III is a partner in the law firm of Quarles & Brady, Milwaukee, Wisconsin, having joined that firm in 1989. Quarles & Brady performs legal services for the Company and certain of its subsidiaries. Prior to joining Quarles & Brady, he was a partner with the law firm of Whyte Hirschboeck Dudek S.C. Mr. Asmuth had previously served as Secretary of the Company from 1986 to 1993. He was re-elected Secretary in 1994.

Each officer is appointed by the Board of Directors and holds office until he resigns, dies, is removed or a different person is appointed to the office. The Board of Directors generally appoints officers at its meeting following the Annual Meeting of Shareholders.

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## PART II

### ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The Company's common stock is traded on the New York Stock Exchange under the symbol APW. At October 31, 1996, the approximate number of record shareholders of common stock was 493. The high and low sales prices of the common stock by quarter for each of the past two years are as follows:

<TABLE> <CAPTION>			
FISCAL YEAR	PERIOD	HIGH	LOW
<S>	<C>	<C>	<C>
1996	June 1 to August 31	\$30 3/8	\$27 1/8
	March 1 to May 31	33	28 7/8
	December 1 to February 29	32 3/8	26 3/4
	September 1 to November 30	35 1/8	28 3/4
1995	June 1 to August 31	\$33 3/8	\$24 1/2
	March 1 to May 31	27	23 1/4
	December 1 to February 28	25 3/4	20 3/4
	September 1 to November 30	25 1/8	21 5/8

</TABLE>

Quarterly dividends of \$0.03 per share were declared and paid for each of the quarters above.

### ITEM 6. SELECTED FINANCIAL DATA

<TABLE>  
<CAPTION>  
(In Millions, except per share amounts)

	For the years ended August 31,				
	1996	1995	1994	1993	1992
<S>	<C>	<C>	<C>	<C>	<C>
Net Sales	\$571.2	\$527.1	\$433.6	\$398.7	\$404.3
Gross Profit	219.9	201.4	163.5	151.0	154.9
Earnings (Loss)					
Continuing Operations	33.7	25.0	16.9	7.1	8.5
Discontinued Operations	-	-	(0.4)	(3.8)	(32.9)
Extraordinary Loss	-	(4.9)	-	-	-
Cumulative Effect of Accounting Change	-	-	-	(4.4)	-
Net Earnings (Loss)	\$ 33.7	\$ 20.1	\$ 16.5	\$ (1.1)	\$ (24.4)
Earnings (Loss) Per Share					
Continuing Operations	\$ 2.41	\$ 1.82	\$ 1.27	\$ 0.54	\$ 0.65
Discontinued Operations	-	-	(0.03)	(0.29)	(2.51)
Extraordinary Loss	-	(0.36)	-	-	-
Cumulative Effect of Accounting Change	-	-	-	(0.33)	-
Net Earnings (Loss) Per Share	\$ 2.41	\$ 1.46	\$ 1.25	\$ (0.08)	\$ (1.87)
Dividends Per Common Share	\$ 0.12	\$ 0.12	\$ 0.12	\$ 0.12	\$ 0.12

<CAPTION>

August 31,				
1996	1995	1994	1993	1992

<S>	<C>	<C>	<C>	<C>	<C>
Total Assets	\$381.2	\$332.9	\$317.4	\$306.3	\$301.5
Long-term Obligations	\$ 76.5	\$ 74.3	\$ 88.7	\$ 97.5	\$108.0
Shareholders' Equity	\$168.5	\$131.7	\$107.3	\$ 88.0	\$ 96.6
Actual Shares Outstanding	13.7	13.4	13.2	13.0	13.0

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(1) Earnings from Continuing Operations for 1993 and 1992 reflect after-tax restructuring charges of \$5.0 (\$0.38 per share) and \$3.1 (\$0.24 per share), respectively. In addition, 1992 includes a liquidation of LIFO inventory which had the effect of increasing earnings by \$1.3 (\$0.10 per share).

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

(Dollars in Millions, except per share amounts)

<TABLE>  
<CAPTION>  
RESULTS OF CONTINUING OPERATIONS

	Years Ended August 31,			Percentage of Net Sales		
	1996	1995	1994	1996	1995	1994
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Net Sales	\$571.2	\$527.1	\$433.6	100.0%	100.0%	100.0%
Gross Profit	219.9	201.4	163.5	38.5	38.2	37.7
Operating Expenses	158.5	149.2	121.3	27.7	28.3	28.0
Operating Earnings	61.4	52.2	42.2	10.8	9.9	9.7
Other Expenses	12.3	15.3	16.9	2.2	2.9	3.9
Earnings Before Income Taxes	49.1	36.9	25.3	8.6	7.0	5.8
Income Tax Expense	15.4	11.9	8.4	2.7	2.3	1.9
Earnings Before Accounting Change and Extraordinary Loss	33.7	25.0	16.9	5.9	4.7	3.9
Extraordinary Loss	-	(4.9)	-	-	(0.9)	-
Net Earnings	\$ 33.7	\$ 20.1	\$ 16.9	5.9%	3.8%	3.9%

The preceding table sets forth the results of continuing operations of the Company for the years ended August 31, 1996, 1995 and 1994.

Net earnings have nearly doubled over the last two years as a result of higher sales volume, improved operating margins and lower financing costs.

NET SALES

Net sales increased 8% in 1996 with two of the three segments posting solid sales growth increases. Excluding the unfavorable impact on translated sales from the stronger US Dollar, sales increased 9% over 1995.

<TABLE>  
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GEOGRAPHIC SALES	Sales			Percentage Change from Prior Year		
	1996	1995	1994	1996	1995	1994
<S>	<C>	<C>	<C>	<C>	<C>	<C>
North America	\$360.8	\$323.0	\$279.6	12%	16%	8%
Europe	143.7	136.8	99.2	5	38	14
Japan and Asia Pacific	56.8	55.3	43.5	3	27	5
Latin America	9.9	12.0	11.3	(18)	6	11
Totals	\$571.2	\$527.1	\$433.6	8%	22%	9%

Softening economic conditions experienced throughout the markets in which the Company operates slowed the growth rates in these regions for fiscal 1996 and combined to an overall 8% increase. Total sales in 1995 were 22% higher than in



1994, reflecting geographic expansion and an improvement in the economic environment in North America and Europe. Ignoring the favorable impact on translated sales from the weaker US Dollar in 1995, sales increased 18% over 1994.

Sales in Europe grew 5% in 1996 compared to 38% in 1995. The slowing economies in Europe are the primary reasons for the slowing of the growth rate. Sales in Japan and Asia Pacific increased 3% in 1996 compared to a 27% increase from 1994 to 1995. Excluding the affect of foreign currency fluctuations against the US Dollar, sales in real terms increased 9% and 14% for fiscal 1996 and 1995, respectively, in this geographic region. Latin American sales

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have been unfavorably impacted by the significant devaluation of the Mexican Peso over the last few years. Excluding the effect of this devaluation, sales growth was 1% in 1996 and 23% in 1995. The variation of the growth rates is the result of the changing economies in Latin America.

<TABLE>  
<CAPTION>

SEGMENT SALES	Sales			Percentage Change from Prior Year		
	1996	1995	1994	1996	1995	1994
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Distributed Products	\$284.5	\$264.9	\$222.0	7%	19%	4%
Engineered Solutions	190.9	192.2	162.3	(1)	18	10
Wright Line	95.8	70.0	49.3	37	42	29
Totals	\$571.2	\$527.1	\$433.6	8%	22%	9%

</TABLE>

Total sales from Distributed Products increased 7% in 1996, with benefits coming from the continued expansion into developing markets in Southeast Asia, Latin America, and South America and approximately \$16.7 million from acquisitions net of product line dispositions. The impact of the stronger US Dollar negatively impacted Distributed Products sales in 1996 relative to 1995 by approximately 1%, as sales generated by units outside the US translated into lower US Dollars in 1996. In 1995, Distributed Products sales benefited from improved economic conditions in North America and Europe, further expansion into developing markets in Southeast Asia, Latin America, and South America and approximately \$4.0 million from minor acquisitions.

Engineered Solutions had a 1% decrease in sales in 1996 compared to an 18% increase in 1995. The primary reason for the decrease was the disposition of the Company's APITECH Mobile equipment product line in January 1996 and softening markets in the defense, truck, and convertible top markets throughout the US and Europe. The majority of the growth noted in fiscal 1995 was attributable to strong demand from European OEM truck and automobile manufacturers.

Wright Line continued to generate impressive sales growth posting increases of 37% and 42% for fiscal 1996 and 1995, respectively. The strong growth is attributed to the continued demand for its existing products (most notably its LAN Management Systems ("LMS") product line), acceptance of its new technical environment solutions, its expanded direct sales force throughout 1996 and 1995, and geographic expansion into Europe and Asia.

Price changes have not had a significant impact on the comparability of net sales during the last three years.

#### GROSS PROFIT

Gross profit increased to \$219.9 million in 1996, compared to \$201.4 million and \$163.5 million in 1995 and 1994, respectively. The improvement in gross profit resulted primarily from the sales increases in 1996 and 1995.

<TABLE>  
<CAPTION>

GROSS PROFIT PERCENTAGES BY SEGMENT	1996	1995	1994
<S>	<C>	<C>	<C>
Distributed Products	40.0%	42.1%	43.4%

Engineered Solutions	30.5	28.8	28.1
Wright Line	50.0	48.8	42.6
-----			
Totals	38.5%	38.2%	37.7%
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</TABLE>

Items influencing overall gross profit percentages include relative sales mix between Distributed Products, Engineered Solutions and Wright Line, as well as production levels. Engineered Solutions gross profit percentages are lower than either Wright Line or Distributed Products because a much higher proportion of its sales are made to OEM customers which generate lower margins than non-OEM customers. As a result, the lower the proportion of its sales to total Company sales, the higher the Company's overall gross profit percentage. Gross profit percentages from Distributed Products were lower in 1996 and 1995, relative to 1994, as a result of inefficiencies during the implementation of automated warehousing, competitive pricing pressures, higher discounts to distributors and increased shipments to OEM customers. Engineered Solutions and Wright Line gross profit percentages improved in 1996 due to the benefits of prior year restructuring at Engineered Solutions, as well as higher production levels at Wright Line. Both achieved

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improvement in 1995 over 1994 due to favorable product mix and the impact of higher production levels on fixed manufacturing costs.

#### OPERATING EXPENSES

Operating expenses increased 6% and 23% in fiscal years 1996 and 1995, respectively. During the corresponding periods, sales increased 8% and 22%, respectively. The majority of the increase since 1994 relates to variable selling expenses, primarily commissions. Wright Line has a direct sales force whose compensation is commission-based. As a result of its 94% sales growth over the last two years, its operating expenses have increased significantly. As Wright Line becomes a larger part of the total Company, it will exert more influence on the year-to-year growth in operating expenses.

In addition to variable selling expenses, total operating costs have increased as a result of acquisitions, product development programs, and expenditures for geographic expansion into emerging markets. Approximately \$1.9 million of the increase in fiscal 1996 was attributable to businesses acquired since the third quarter of 1995. During the last few years, the Company has also opened sales offices in Russia, India and China, and has increased its presence in Latin America and Southeast Asia. Overall lower corporate expenses and the Company's goal to continually identify ways to be more cost effective have allowed the Company to keep operating expenses at a constant 28% of sales over the last three fiscal years.

#### OTHER EXPENSE (INCOME)

<TABLE>

<CAPTION>

OTHER EXPENSE (INCOME)	1996	1995	1994
-----			
<S>	<C>	<C>	<C>
Net financing costs	\$ 8.5	\$10.3	\$11.4
Amortization expense	4.1	3.3	5.1
Other - net	(0.2)	1.7	0.4
-----			

</TABLE>

The reduction in financing costs during the last three years reflects lower market interest rates and reduced debt levels. The Company refinanced certain debt in 1995, which also had the impact of lowering its financing costs. For further information, see "Liquidity and Capital Resources" below.

Amortization expense increased in 1996 due to incremental amortization of intangible assets added in 1995 and 1996 from acquisitions (see "Liquidity and Capital Resources" below), but declined in 1995 as certain intangible assets from the GB Electrical acquisition in 1988 became fully amortized.

"Other - net" includes foreign exchange (gains) losses and miscellaneous other (income) expense. A net foreign exchange loss was realized in 1996, however it

was more than offset by miscellaneous income realized. In 1995, the Mexican Peso devaluation caused a \$1.3 million foreign exchange loss and represented the majority of other expense.

#### INCOME TAX EXPENSE

The Company's effective income tax rate is largely impacted by the proportion of earnings generated inside and outside the US, as well as the utilization of foreign tax credits in the US. Higher US earnings and the utilization of foreign tax credits had a favorable impact on the effective tax rate in 1996 and 1995.

#### EXTRAORDINARY LOSS

The Company recorded an extraordinary loss of \$4.9 million, or \$0.36 per share, in 1995 in connection with the March 30, 1995 extinguishment of its \$64.4 million 9.92% Senior Unsecured Notes. The pre-tax extraordinary loss of \$7.3 million was comprised of an estimated make whole provision of \$4.1 million, costs associated with the cancellation of underlying interest rate swap agreements of \$3.0 million and the write-off of \$0.2 million of deferred financing costs. For further information, see Note H - "Long-term Debt" in Notes to Consolidated Financial Statements.

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#### NEW ACCOUNTING PRONOUNCEMENTS

The Company adopted SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of," effective in fiscal 1995. This adoption had no material effect on the Company's financial statements.

In October 1995, the Financial Accounting Standards Board issued SFAS No. 123, "Accounting for Stock-Based Compensation." As permitted by SFAS No. 123, the Company expects to continue to apply Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and include the necessary pro forma disclosures in its 1997 financial statements.

#### DISCONTINUED OPERATIONS

In the second quarter of 1994, the Company announced its decision to retain the remaining Wright Line business, which had been reported as a discontinued operation since 1992. The Company completed the sale of Wright Line's German operation in 1993 and Wright Line's Datafile businesses in Canada, Australia, the UK and the US in 1994. The net assets and results of operations for the retained Wright Line business were reclassified from discontinued to continuing operations for the periods it was held for sale. For further information, see Note B - "Discontinued Operations" in Notes to Consolidated Financial Statements.

#### LIQUIDITY AND CAPITAL RESOURCES

Outstanding debt at August 31, 1996 totaled \$92.6 million, an increase of \$5.7 million since the beginning of the year. The increased level of business acquisitions and capital expenditures, partially offset by the additional sale of accounts receivable, are the primary reasons for the increase. End-of-year debt to total capital was approximately 33% in 1996 compared to 37% in 1995. Approximately \$32.8 million of cash was generated from operating activities in 1996, while \$33.9 million of cash was used to fund acquisitions and \$22.7 million was used to fund capital expenditures. The balance of cash generated in 1996 originated from the additional sale of receivables. In 1995, \$23.8 million of cash was generated from operations of which \$2.8 million was used to fund acquisitions and \$16.0 million was used to fund capital expenditures. The balance of the cash generated in 1995 was used to reduce debt. Dividends of \$1.6 million were paid during both 1996 and 1995.

Increases in primary working capital (net receivables plus net inventory less trade accounts payable) used approximately \$17.7 million of cash during 1996 as a result of higher sales volume (receivables) and geographic expansion (inventory). The Company believes that primary working capital may grow further in 1997 as a result of anticipated business expansion. During 1995, primary working capital increased \$22.4 million, also the result of increased sales and geographic expansion.

The Company extinguished all \$64.4 million of its 9.92% Senior Unsecured Notes on March 30, 1995. The funds used to retire the debt and disburse the make whole payments totaling \$4.0 million were obtained from new borrowings, including those under a temporary expansion of the Company's then existing

\$40.0 million Multi-currency revolving credit agreement. The Company replaced the original \$40.0 million Multi-currency credit agreement and the temporary \$40.0 million expansion with the proceeds from a new \$120.0 million Multi-currency credit agreement in August 1995. To reduce interest rate risk associated with the refinancing, the Company entered into interest rate caps on a notional \$60.0 million in borrowings that limits the maximum applicable base rate (three month LIBOR) to 8.0%. The interest rate caps expire in March 1997. In addition, the Company has entered into interest rate swap agreements during fiscal 1996 which effectively convert \$65.5 million of the Company's variable rate debt to a weighted average fixed rate of 5.92%. The swap agreements expire on varying dates through 2003. During 1996, the Company incurred interest at a rate of .375 of 1% above IBOR.

In August 1996, the new Multi-currency credit agreement was amended to provide unsecured credit availability of \$170.0 million and extend the expiration date to August 2001. For additional information, see Note H - "Long-term Debt" in Notes to Consolidated Financial Statements.

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In 1995, the Company replaced its former \$25.0 million accounts receivable financing facility with a new facility that expires in August 1998 and provides up to \$50.0 million of multi-currency accounts receivable financing. During 1996, the agreement was amended to extend the terms through August 1999. An incremental \$13.3 million of receivables were financed in 1996, bringing the total balance financed to \$49.5 million at August 31, 1996. Proceeds were used to reduce debt. For additional information, see Note E - "Accounts Receivable Financing" in Notes to Consolidated Financial Statements.

The following table summarizes the Company's total capitalization over the last three years.

<TABLE>  
<CAPTION>

TOTAL CAPITALIZATION	Dollars			Percentage of Total Capitalization		
	1996	1995	1994	1996	1995	1994
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Total Debt	\$ 92.6	\$ 87.0	\$103.5	33%	37%	45%
Shareholders' Equity	168.5	131.7	107.3	61	56	48
Deferred Taxes	15.4	16.4	16.8	6	7	7
Totals	\$276.5	\$235.1	\$227.6	100%	100%	100%

</TABLE>

In order to minimize interest expense, the Company intentionally maintains low cash balances and uses available cash to reduce short-term bank borrowings. Funds available under unused non-committed lines and the \$170.0 million Multi-currency credit agreement totaled \$47.4 million and \$93.7 million, respectively, as of August 31, 1996. The Company believes that such availability plus funds generated from operations will be adequate to fund operating activities, including capital expenditures and working capital, for the foreseeable future.

#### INFLATION

No meaningful measures of inflation are available because the Company has a significant number of small operations which operate in countries with diverse rates of inflation and currency rate movements.

#### OUTLOOK

The Company expects its trend of increasing sales and earnings per share to continue into 1997, assuming no significant downturn in the economy in North America or Western Europe. Net sales are expected to be in the range of \$650.0 to \$690.0 million with earnings per share between \$2.70 and \$3.00. The strength of its core business segments, integration of the acquisitions that took place in 1996, and strategic acquisitions will be the driving forces of the growth.

#### RISK FACTORS THAT MAY AFFECT FUTURE RESULTS

Certain statements in the above section entitled "Outlook," as well as statements which are not historical facts, are forward looking statements that involve risks and uncertainties. There are several risk factors which are

beyond the Company's control which could cause the Company's actual results to differ from those expressed in such forward looking statements. Those risk factors include, without limitation, general economic conditions and market conditions in the industrial production, trucking, construction, aerospace, automotive, and defense industries in North America, Europe, and Asia, market acceptance of existing and new products, successful integration of acquisitions, competitive pricing, foreign currency risk, interest rate risk, and other factors.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Quarterly financial data for 1996 and 1995 is as follows:  
(In Millions, except per share amounts)

<TABLE>  
<CAPTION>

	1996			
	FIRST	SECOND	THIRD	FOURTH
<S>	<C>	<C>	<C>	<C>
Net Sales	\$ 139.3	\$ 137.1	\$ 147.5	\$ 147.3
Gross Profit	54.1	51.7	55.4	58.7
Net Earnings	\$ 7.7	\$ 7.7	\$ 9.1	\$ 9.2
Net Earnings Per Share	\$ 0.55	\$ 0.55	\$ 0.65	\$ 0.66

<CAPTION>

	1995			
	FIRST	SECOND	THIRD	FOURTH
<S>	<C>	<C>	<C>	<C>
Net Sales	\$ 125.8	\$ 124.5	\$ 139.4	\$ 137.4
Gross Profit	48.2	47.3	53.6	52.3
Earnings Before Extraordinary Loss	5.5	4.6	7.3	7.6
Extraordinary Loss	-	(4.9)	-	-
Net Earnings (Loss)	\$ 5.5	\$ (0.3)	\$ 7.3	\$ 7.6
Earnings (Loss) Per Share				
Before Extraordinary Loss	\$ 0.40	\$ 0.34	\$ 0.53	\$ 0.55
Extraordinary Loss	-	(0.36)	-	-
Net Earnings (Loss) Per Share	\$ 0.40	\$ (0.02)	\$ 0.53	\$ 0.55

</TABLE>

The Consolidated Financial Statements are included on pages 18 to 33 and are incorporated by reference herein.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information required by this item is incorporated by reference from the "Election of Directors" and "Other Information -- Section 16(a) Beneficial Ownership Reporting Compliance" sections of the Company's Proxy Statement for its Annual Meeting of Shareholders to be held on January 8, 1997 (the "1997 Annual Meeting Proxy Statement"). See also "Executive Officers of the Registrant" in Part I hereof.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item is incorporated by reference from the "Board Meetings, Committees and Director Compensation" section and the "Executive Compensation" section (other than the subsections thereof entitled "Report of the Compensation Committee of the Board of Directors on Executive Compensation" and "Performance Graphs") of the 1997 Annual Meeting Proxy

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by this item is incorporated by reference from the "Certain Beneficial Owners" and "Election of Directors" sections of the 1997 Annual Meeting Proxy Statement.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

None.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) Documents filed as part of this report:

1. Consolidated Financial Statements

See "Index to Consolidated Financial Statements and Financial Statement Schedules" on page 16, the Independent Auditors' Report on page 17 and the Consolidated Financial Statements on pages 18 to 33, all of which are incorporated herein by reference.

2. Financial Statement Schedules

See "Index to Consolidated Financial Statements and Financial Statement Schedules" on page 16 and the Financial Statement Schedule on page 34, all of which are incorporated herein by reference.

3. Exhibits

See "Index to Exhibits" on pages 36 to 40, which is incorporated herein by reference.

(b) Reports on Form 8-K:

No reports on Form 8-K were filed in the fourth quarter.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULES

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS	Page
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Independent Auditors' Report	17
Consolidated Statement of Earnings For the years ended August 31, 1996, 1995 and 1994	18
Consolidated Balance Sheet As of August 31, 1996 and 1995	19
Consolidated Statement of Shareholders' Equity For the years ended August 31, 1996, 1995 and 1994	20
Consolidated Statement of Cash Flows For the years ended August 31, 1996, 1995 and 1994	21

## INDEX TO FINANCIAL STATEMENT SCHEDULES

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Schedule II - Valuation and Qualifying Accounts

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

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## Independent Auditors' Report

To the Shareholders and Directors of Applied Power Inc.:

We have audited the accompanying consolidated balance sheets of Applied Power Inc. and subsidiaries as of August 31, 1996 and 1995, and the related consolidated statements of earnings, shareholders' equity, and cash flows for each of the three years in the period ended August 31, 1996. Our audits also included the consolidated financial statement schedule listed in the Index at Item 14. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Applied Power Inc. and subsidiaries at August 31, 1996 and 1995, and the results of their operations and their cash flows for each of the three years in the period ended August 31, 1996 in conformity with generally accepted accounting principles. Also, in our opinion, such consolidated financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

DELOITTE & TOUCHE LLP  
Milwaukee, Wisconsin  
September 26, 1996

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APPLIED POWER INC.  
CONSOLIDATED STATEMENT OF EARNINGS  
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

<TABLE>  
<CAPTION>

	Years ended August 31,		
	1996	1995	1994
<S>	<C>	<C>	<C>
Net sales	\$ 571,215	\$ 527,058	\$ 433,644
Cost of products sold	351,283	325,621	270,120
Gross Profit	219,932	201,437	163,524
Engineering, selling and administrative expenses	158,485	149,210	121,315

Operating Earnings from Continuing Operations	61,447	52,227	42,209
Other Expense (Income)			
Net financing costs	8,456	10,291	11,362
Amortization of intangible assets	4,054	3,369	5,092
Other - net	(230)	1,694	457
Earnings from Continuing Operations Before Income Tax Expense	49,167	36,873	25,298
Income Tax Expense	15,438	11,868	8,402
Earnings from Continuing Operations	33,729	25,005	16,896
Discontinued Operations, net of income taxes (Income) from operations previously offset against reserve for estimated loss on disposition	-	-	(348)
Loss from Discontinued Operations	0	0	(348)
Earnings before Extraordinary Loss	33,729	25,005	16,548
Extraordinary Loss from Early Extinguishment of Debt, net of \$2,423 tax benefit	-	(4,920)	-
Net Earnings	\$ 33,729	\$ 20,085	\$ 16,548
Primary Earnings (Loss) Per Share:			
Continuing Operations	\$ 2.41	\$ 1.82	\$ 1.27
Discontinued Operations	-	-	(0.03)
Extraordinary Loss	-	(0.36)	-
Earnings Per Share	\$ 2.41	\$ 1.46	\$ 1.25
Weighted Average Common and Equivalent Shares (000's)	13,983	13,746	13,289
Fully Diluted Earnings (Loss) Per Share:			
Continuing Operations	\$ 2.41	\$ 1.79	\$ 1.25
Discontinued Operations	-	-	(0.03)
Extraordinary Loss	-	(0.35)	-
Earnings Per Share	\$ 2.41	\$ 1.44	\$ 1.23
Weighted Average Common and Equivalent Shares (000's)	13,983	13,958	13,477

</TABLE>

The accompanying notes are an integral part of these financial statements

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APPLIED POWER INC.  
CONSOLIDATED BALANCE SHEET  
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

<TABLE>  
<CAPTION>

	August 31,	
	1996	1995
<C>	<C>	<C>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 1,001	\$ 911
Accounts receivable, less allowances of \$4,179 and \$3,593, respectively	68,747	71,000
Inventories	120,648	103,358
Prepaid income tax	10,734	10,297
Prepaid expenses	5,775	4,898
Total Current Assets	206,905	190,464
Other Assets	6,370	6,274
Goodwill, net of accumulated amortization of \$13,937 and \$11,256, respectively	58,266	57,346
Other Intangibles, net of accumulated amortization of \$11,917 and \$18,798, respectively	33,464	10,427
Property, Plant and Equipment		
Property	1,923	1,909
Plant	40,252	28,850
Machinery and equipment	125,950	122,615



	168,125	153,374
Less: Accumulated depreciation	(91,889)	(84,939)
Net Property, Plant and Equipment	76,236	68,435
Total Assets	\$ 381,241	\$ 332,946
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Short-term borrowings	\$ 16,068	\$ 12,620
Trade accounts payable	41,397	37,530
Accrued compensation and benefits	20,805	19,707
Income taxes payable	7,081	7,575
Current maturities of long-term debt	-	187
Other current liabilities	22,378	19,828
Total Current Liabilities	107,729	97,447
Long-term Debt, less current portion	76,548	74,156
Deferred Income Tax	15,395	16,386
Other Deferred Liabilities	13,114	13,271
Shareholders' Equity		
Class A common stock, \$0.20 par value per share, authorized 40,000,000 shares, issued and outstanding 13,652,349 and 13,406,590 shares, respectively	2,730	2,681
Additional paid-in capital	34,383	28,328
Retained earnings	126,392	94,285
Cumulative translation adjustments	4,950	6,392
Total Shareholders' Equity	168,455	131,686
Total Liabilities and Shareholders' Equity	\$ 381,241	\$ 332,946

</TABLE>

The accompanying notes are an integral part of these financial statements

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APPLIED POWER INC.  
CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY  
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

<TABLE>  
<CAPTION>

	Years Ended August 31, 1996, 1995 and 1994			
	Class A Common Stock	Additional Paid-in Capital	Retained Earnings	Cumulative Translation Adjustments
<S>	<C>	<C>	<C>	<C>
Balances at September 1, 1993	\$2,601	\$21,654	\$ 60,823	\$ 2,932
Net earnings for the year	-	-	16,548	-
Cash dividends declared - \$0.12 per share	-	-	(1,569)	-
Exercise of stock options	29	1,850	-	-
Other	-	144	-	-
Currency translation adjustments	-	-	-	2,299
Balances at August 31, 1994	2,630	23,648	75,802	5,231
Net earnings for the year	-	-	20,085	-
Cash dividends declared - \$0.12 per share	-	-	(1,602)	-
Exercise of stock options	51	4,168	-	-
Other	-	512	-	-
Currency translation adjustments	-	-	-	1,161
Balances at August 31, 1995	2,681	28,328	94,285	6,392
Net earnings for the year	-	-	33,729	-
Cash dividends declared - \$0.12 per share	-	-	(1,622)	-
Exercise of stock options	24	1,582	-	-
Issuance of stock in acquisition	25	3,905	-	-
Other	-	568	-	-
Currency translation adjustments	-	-	-	(1,442)
Balances at August 31, 1996	\$2,730	\$34,383	\$126,392	\$ 4,950

</TABLE>

The accompanying notes are an integral part of these financial statements

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CONSOLIDATED STATEMENT OF CASH FLOWS  
(DOLLARS IN THOUSANDS)

<TABLE>  
<CAPTION>

	Years ended August 31,		
	1996	1995	1994
<S>	<C>	<C>	<C>
Net Earnings	\$ 33,729	\$ 20,085	\$ 16,548
Adjustments to reconcile earnings from continuing operations to net cash provided by operating activities:			
Depreciation and amortization	21,078	18,456	19,406
Other non-cash charge - extraordinary loss	-	4,920	-
Other non-cash charge - discontinued operations	-	-	348
Provision for deferred taxes	(1,588)	(2,707)	(789)
Changes in operating assets and liabilities, excluding the effects of business acquisitions and disposals:			
Accounts receivable	(5,703)	(15,413)	(12,855)
Inventories	(14,219)	(8,170)	(7,182)
Prepaid expenses and other assets	(2,505)	(2,077)	3,156
Trade accounts payable	2,262	1,231	8,509
Other liabilities	(240)	7,499	(4,663)
Net Cash Provided by Operating Activities	32,814	23,824	22,478
Investing Activities			
Proceeds on the sale of property, plant and equipment	821	614	1,342
Additions to property, plant and equipment	(22,734)	(15,986)	(12,707)
Business acquisitions	(33,949)	(2,758)	(2,446)
Product line dispositions	5,181	-	-
Other	65	162	142
Net Cash Used in Investing Activities	(50,616)	(17,968)	(13,669)
Financing Activities			
Proceeds from issuance of long-term debt	42,433	116,055	13,959
Principal payments on long-term debt	(37,877)	(123,997)	(33,755)
Refinancing expenditures	-	(4,370)	-
Net borrowings (repayments) on short-term credit facilities	3,484	(2,092)	(5,700)
Net commercial paper (repayments) borrowings	(3,276)	(6,671)	9,947
Additional receivables financed	13,275	11,200	-
Dividends paid on common stock	(1,622)	(1,602)	(1,569)
Stock option exercises and other	1,551	4,219	1,879
Net Cash Provided by (Used in) Financing Activities	17,968	(7,258)	(15,239)
Effect of Exchange Rate Changes on Cash	(76)	406	132
Net Cash Provided by (Used in) Continuing Operations	90	(996)	(6,298)
Discontinued Operations Activities			
Proceeds from sale of Datafile	-	-	6,222
Other	-	-	663
Net Cash Provided by Discontinued Operations	0	0	6,885
Net Increase (Decrease) in Cash and Cash Equivalents	90	(996)	587
Cash and Cash Equivalents - Beginning of Year	911	1,907	1,320
Cash and Cash Equivalents - End of Year	\$ 1,001	\$ 911	\$ 1,907

</TABLE>

The accompanying notes are an integral part of these financial statements

APPLIED POWER INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation: The consolidated financial statements include the accounts of Applied Power Inc. and its majority-owned subsidiaries ("Applied Power" or the "Company"). All significant intercompany balances, transactions and profits have been eliminated.

Cash and Cash Equivalents: The Company considers all highly liquid investments with original maturities of 90 days or less to be cash equivalents.

Inventories: Inventories are comprised of material, direct labor and

manufacturing overhead, and are stated at the lower of cost or market.

**Property, Plant and Equipment:** Property, plant and equipment are stated at cost. Plant and equipment are depreciated over the estimated useful lives of the assets under the straight-line method for financial reporting purposes and both straight-line and accelerated methods for tax purposes. Expenditures for maintenance and repairs not expected to extend the useful life of an asset beyond its normal useful life are expensed.

**Intangible Assets:** Goodwill is amortized on a straight-line basis over periods of fifteen to forty years. Other intangible assets, consisting primarily of purchased patents, trademarks and noncompete agreements, are amortized over periods from two to forty years. The Company periodically evaluates the carrying value of intangible assets in accordance with Statement of Financial Accounting Standards ("SFAS") No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of."

**Revenue Recognition:** Revenues and costs of products sold are recognized as the related products are shipped.

**Research and Development Costs:** Research and development costs are expensed as incurred. Such costs incurred in the development of new products or significant improvements to existing products totaled approximately \$9,852, \$8,725 and \$7,446 in 1996, 1995 and 1994, respectively.

**Financing Costs:** Net financing costs represents interest expense on debt obligations, investment income, and accounts receivable financing costs.

**Income Taxes:** The Company accounts for income taxes in accordance with Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes." For further information, see Note M - "Income Taxes."

**Earnings Per Share:** Earnings per share is based on the weighted average number of common and common equivalent shares outstanding during the year. The dilutive effect of stock options, which are considered common stock equivalents, is calculated using the treasury stock method.

**Foreign Currency Translation:** Foreign currency translation adjustments are generally excluded from the Consolidated Statement of Earnings and are included in Cumulative translation adjustments in the Consolidated Balance Sheet. Gains and losses resulting from foreign currency transactions are included in Other - net in the Consolidated Statement of Earnings.

**Derivative Financial Instruments:** Derivative financial instruments are utilized by the Company to manage risks generally associated with interest rate market volatility. The Company does not hold or issue derivative financial instruments for trading purposes. The Company currently holds both interest rate swap and cap agreements. The differential to be paid or received is accrued monthly as interest rates change and is recognized over the life of the agreement as an adjustment to interest expense. The Company also utilizes, in limited circumstances, foreign

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currency forward contracts. Gains and losses resulting from these instruments are recognized in the same period as the underlying transaction. For further information, see Note H - "Long-term Debt."

**Use of Estimates:** The financial statements have been prepared in accordance with generally accepted accounting principles and necessarily include amounts based on estimates and assumptions by management. Actual results could differ from those amounts.

**New Accounting Standards:** In October 1995, the Financial Accounting Standards Board issued SFAS No. 123, "Accounting for Stock-Based Compensation." As permitted by SFAS No. 123, the Company expects to continue to apply Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and include the necessary pro forma disclosures in its 1997 financial statements.

**Reclassifications:** Certain amounts shown for 1994 have been reclassified to conform to the current presentation.

#### NOTE B - DISCONTINUED OPERATIONS

In the second quarter of 1994, the Company announced its decision to retain the remaining Wright Line business, which had been included in discontinued operations since the third quarter of 1992. The retained business has refocused its business strategy on technical furniture solutions for offices and laboratories.

The Company had originally intended to sell all of Wright Line in a single transaction in 1993. However, management subsequently determined that proceeds could be maximized by selling the assets in a series of separate transactions. The Company completed the sale of certain assets of Wright Line's German

operation to an existing distributor in exchange for the assumption of certain liabilities. In early 1994, Wright Line's Datafile businesses in Canada, Australia, the UK and the US were sold, generating proceeds of \$6,222. A short time later, Wright Line sold its Tapeseal product line to a third party for future compensation.

The operating results from the retained Wright Line operations have been reclassified from discontinued operations to continuing operations for all periods presented. However, the results of the retained operations for the period June 1992 through November 1993 have remained offset against the reserve previously established for operating losses until disposition (\$398 in fiscal 1994).

#### NOTE C - ACQUISITIONS

On May 15, 1996, CalTerm, Inc. ("CalTerm") was merged with a wholly-owned subsidiary of the Company. Consideration included 122,810 shares of Applied Power Inc. Class A common stock (valued at approximately \$3,930) and approximately \$1,038 in cash. In addition, the Company assumed approximately \$6,000 of outstanding debt which was extinguished by the Company shortly after the merger. In conjunction with the acquisition, a warehouse operated by CalTerm in Reno, Nevada was purchased for approximately \$2,300 and there were payments of \$1,000 for non-compete agreements. Three individuals received employment agreements and related stock options. Cash payments required were funded through borrowings under existing credit facilities. Goodwill of approximately \$2,000 was recorded as a result of this transaction. Headquartered in San Diego, California, CalTerm is a supplier of electrical consumables and tools primarily to the retail automotive aftermarket. The results of operations of CalTerm subsequent to the acquisition date are included in the Consolidated Statement of Earnings.

On February 23, 1996, the Company's Wright Line division acquired the European distribution rights for its products for cash of \$1,250 plus forgiveness of accounts receivable outstanding of \$723 from its European distributor. Goodwill of approximately \$1,900 was generated in conjunction with the transaction.

On December 8, 1995, the Company acquired the remaining 10% minority interest in Applied Power Korea. Cash of \$388 was used in the acquisition, which generated goodwill of approximately \$340. On March 21, 1994, the Company had increased its ownership interest from approximately 50% to 90%. Cash of \$912 was used in such

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acquisition which resulted in goodwill of \$572. The results of operations of this subsidiary have historically been included in the Consolidated Statement of Earnings.

On October 26, 1995, the Company's Enerpac division acquired the assets of Designed Fluid-Air Systems, Inc. ("DFAS"). Consideration included \$298 in cash plus future royalties over the next five years not to exceed \$500 in the aggregate. Approximately \$100 of the purchase price was assigned to goodwill. DFAS, located in Oswego, Illinois, designs, fabricates and assembles customized quick die change systems utilizing hydraulic, pneumatic and electrical components. The operating results of DFAS subsequent to the acquisition date are included in the Consolidated Statement of Earnings.

On September 29, 1995, the Company completed the acquisition of substantially all of the assets and certain liabilities of Vision Plastics Manufacturing Company ("Vision") for \$3,557 in cash. Included in the liabilities assumed was \$1,357 of outstanding mortgage debt, which was subsequently extinguished by the Company during the first quarter. On January 10, 1996, in a separate transaction, the Company acquired certain proprietary technology rights and patents related to Vision. Total consideration for the two transactions of approximately \$21,500 was funded by proceeds from borrowings under existing credit facilities. Intangible assets of \$19,942 were recorded which included approximately \$950 of goodwill. Vision, based in San Diego, California, manufactures plastic cable ties which are sold through electrical wholesale, retail and OEM channels. The operating results of Vision subsequent to September 29, 1995 are included in the Consolidated Statement of Earnings.

The Company acquired all of the outstanding stock of New England Controls, Inc. ("NECON") on June 28, 1995 for approximately \$2,059 in cash. Approximately \$1,536 of the purchase price was assigned to goodwill. NECON, based in Milford, Connecticut, manufactures electrical switches for the electrical wholesale, retail and OEM markets. The operating results of NECON subsequent to June 28, 1995 are included in the Consolidated Statement of Earnings.

On September 1, 1994, the Company acquired the assets of Enerpac's master distributor in Brazil for \$699 in cash. Approximately \$350 of the purchase price was assigned to goodwill. The operating results of this business subsequent to such date are included in the Consolidated Statement of Earnings.

The Company completed the acquisition of certain assets of Palmer Industries, Inc. ("Palmer") on October 1, 1993 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 Consolidated Statement of Earnings.

All acquisitions were accounted for using the purchase method. The transactions were not material to the results of operations or the financial position of the Company.

NOTE D - SALES OF PRODUCT LINES

On January 24, 1996, the Company sold substantially all of the assets and liabilities of its APITECH mobile equipment product line. Total consideration from the transaction, which included future collection of retained accounts receivable, is approximately \$5,200, which approximated the book value of the product line.

On December 13, 1995, the Company's GB Electrical subsidiary sold its HIT spring steel product line for approximately \$2,400 in cash. Proceeds from the sale approximated the book value of the product line.

NOTE E - ACCOUNTS RECEIVABLE FINANCING

As a part of its overall financing strategy, the Company sells to financial institutions undivided participation interests in designated pools of accounts receivable, with limited recourse. Participation interests in new receivables may be sold as collections reduce previously sold participation interests. The sold accounts receivable are reflected as a reduction of receivables in the Consolidated Balance Sheet. The Company retains collection and administrative

responsibilities on the participation interests sold as agent for the purchaser. In August 1995, the Company entered into a new multi-currency accounts receivable financing agreement that allows up to the equivalent of \$50,000 of sold receivables at any one time. Previously, the Company was a party to an agreement that provided up to \$30,000 of accounts receivable financing for US Dollar denominated receivables. The new accounts receivable financing agreement, as amended August 30, 1996, expires in August 1999.

At August 31, 1996 and 1995, accounts receivable were reduced by \$49,475 and \$36,200, respectively, representing receivable interests sold under this program.

Accounts receivable financing costs totaling \$2,324, \$1,892 and \$1,076 for the years ended August 31, 1996, 1995 and 1994, respectively, are included with financing costs in the accompanying Consolidated Statement of Earnings.

NOTE F - NET INVENTORIES

Inventory cost is determined using the last-in, first-out ("LIFO") method for substantially all US owned inventory (approximately 69% and 58% of total inventories in 1996 and 1995, respectively). The first-in, first-out or average cost methods are used for all other inventories. If the LIFO method was not used, inventory balances would be higher than the amounts in the Consolidated Balance Sheet by approximately \$9,222 and \$10,296 at August 31, 1996 and 1995, respectively.

It is not practical to segregate the amounts of raw materials, work-in-process or finished goods at the respective balance sheet dates, since the segregation is possible only as the result of physical inventories which are taken at dates different from the balance sheet dates. The systems at many of the Company's operating units have not been designed to capture this segregation due to the very short production cycle of their products and the minimal amount of work-in-process.

NOTE G - SHORT-TERM BORROWINGS

The Company had borrowings under unsecured non-committed lines of credit with banks aggregating approximately \$16,068 and \$12,620 at August 31, 1996 and 1995, respectively. Interest rates vary depending on the currency being borrowed. The weighted average interest rate on the US and non-US short-term borrowings was 9.37% at August 31, 1996. The amount of unused available borrowings under such lines of credit was approximately \$47,400 at August 31, 1996.

NOTE H - LONG-TERM DEBT

<TABLE>  
<CAPTION>

	August 31,	
	1996	1995
	-----	-----
<S>	<C>	<C>
Borrowings under:		
Multi-currency revolving credit agreement	\$76,298	\$70,717
Commercial paper	-	3,276
Other notes	250	350

Total long-term debt	76,548	74,343
Less current maturities	-	(187)
Long-term Debt, less current portion	\$76,548	\$74,156

</TABLE>

During the second quarter of 1995, the Company recorded an extraordinary loss of \$4,920 (\$0.36 per share) in anticipation of the March 30, 1995 extinguishment of the outstanding \$64,350, 9.92% Senior Unsecured Notes. The pre-tax extraordinary loss of \$7,343 was comprised of an estimated make whole provision of \$4,050, costs associated with the cancellation of underlying interest rate swap agreements of \$3,047, and the write-off of deferred financing costs of \$246.

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Funds used to retire the Senior Unsecured Notes and pay the make whole obligation were obtained from new borrowings under an existing \$40,000 Multi-currency revolving credit agreement and a temporary \$40,000 expansion to the existing Multi-currency revolving credit agreement. These borrowings were extinguished on August 21, 1995, and all amounts outstanding were simultaneously reborrowed under a new \$120,000 Multi-currency revolving credit agreement (the "new Multi-currency Credit Agreement").

The new agreement, as amended August 29, 1996, increases the credit line to \$170,000, extends the term to August 2001, and continues to bear interest at a floating rate of IBOR plus .30 to .50 of 1% annually. Currently, the Company incurs interest at .375 of 1% above IBOR. A commitment fee, currently computed at a rate of .175 of 1% annually, is payable quarterly on the average unused credit line. The unused credit line at August 31, 1996 was \$93,702.

The new Multi-currency Credit Agreement contains customary restrictions concerning investments, liens on assets, sales of assets, dividend payments, maximum levels of debt and minimum levels of shareholders' equity. In addition, the agreement requires the Company to maintain certain financial ratios. As of August 31, 1996, the Company was in compliance with all debt covenants. Under the most restrictive covenant, approximately \$64,132 of retained earnings was available for the payment of future dividends on common stock as of August 31, 1996.

Commercial paper outstanding at August 31, 1996 and 1995 totaled \$0 and \$3,276, respectively, net of discount, and carried an average interest rate of 5.94% in fiscal 1995. The Company had the ability and intent to maintain the commercial paper obligations, classified as long-term, for more than one year. Amounts outstanding as commercial paper reduce the amount available for borrowing under the new Multi-currency Credit Agreement.

Interest Rate Financial Instruments: As part of its interest rate management program, the Company periodically enters into interest rate swap and cap agreements with respect to portions of its outstanding debt. The interest rate swap agreements in place at August 31, 1996 effectively convert \$65,500 of the Company's variable rate debt to a weighted average fixed rate of 5.92%. The swap agreements expire on varying dates through 2003. The accompanying Consolidated Balance Sheet at August 31, 1996 does not reflect a value for these swap agreements.

Interest rate caps limit the maximum interest rate that is paid. As of August 31, 1996, the Company had interest rate caps in place on a notional \$60,000 in borrowings that limit the maximum applicable base rate (three month LIBOR) to 8.0%. The interest rate caps expire in March 1997, and were recorded at a value of \$75 at August 31, 1996.

The counterparties to these financial instruments consist of major financial institutions with investment grade or better credit ratings. The Company does not expect any losses from nonperformance by these counterparties.

Fair Values: The fair value of the Company's short-term borrowings and long-term debt approximated book value as of August 31, 1996. The fair value of debt instruments is calculated by discounting the cash flow of such obligations using the market interest rates for similar instruments at August 31, 1996. The swap agreements currently in place had a fair value as determined by the lenders of approximately \$886 at August 31, 1996. Given the interest rate market at August 31, 1996, the Company's interest rate cap agreement had nominal value.

Aggregate Maturities: Aggregate maturities of long-term debt outstanding at August 31, 1996, were: \$0 in 1997; \$250 in 1998; \$0 in 1999; \$0 in 2000 and \$76,298 in 2001.

The Company paid \$8,084, \$10,363 and \$10,695 for financing costs in 1996, 1995 and 1994, respectively, excluding the make whole payments associated with refinancing the 9.92% Senior Unsecured Debt.

NOTE I - LEASES

The Company leases certain facilities, computers, equipment and vehicles under various lease agreements over periods of one to twenty years. Under most arrangements, the Company pays the property taxes, insurance, maintenance and expenses related to the leased property. Many of the leases include provisions which enable the Company to renew leases based upon the fair values on the date of expiration of the initial lease.

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Future obligations on non-cancelable operating leases in effect at August 31, 1996 were: \$9,839 in 1997; \$6,667 in 1998; \$4,415 in 1999; \$4,077 in 2000; \$3,430 in 2001; and \$20,127 thereafter.

Total rental expense under operating leases was \$10,739, \$11,076 and \$11,379 in 1996, 1995 and 1994, respectively.

NOTE J - STOCK OPTION PLANS

At August 31, 1996, 2,004,886 shares of Class A common stock were reserved for issuance under the Company's stock option plans.

Employee Plans: The Company has three nonqualified stock option plans for employees - the 1985, 1987 and 1990 Plans. No further options may be granted under the 1985 or 1987 Plans, although options previously issued and outstanding under these plans remain exercisable pursuant to the provisions of the plans. A total of 3,050,000 shares may be issued under all three stock option plans (equal to 950,000 shares authorized under the 1985 Plan, 1,200,000 shares under the 1987 Plan and 900,000 shares under the 1990 Plan). Any available unissued shares under the 1985 and 1987 Plans at the date of adoption of the 1990 Plan became available for issuance under the 1990 Plan.

Options may be granted to officers and key employees. Options generally have a maximum term of ten years and an exercise price equal to 100% of the fair market value of a share of the Company's common stock at the date of grant. Options generally vest 50% after 2 years and 100% after 5 years.

A summary of option activity under the three plans is as follows:

<TABLE>  
<CAPTION>

	Number of Shares	Price Range	
<S>	<C>	<C>	
Outstanding at September 1, 1993	1,716,610	\$ 2.21	- \$26.75
Granted	189,400	15.81	- 21.38
Exercised	(146,288)	2.21	- 20.56
Canceled	(174,187)	12.75	- 26.75
Outstanding at August 31, 1994	1,585,535	\$ 2.21	- \$24.13
Granted	227,740	24.13	- 29.25
Exercised	(250,136)	2.21	- 24.13
Canceled	(119,450)	15.44	- 29.25
Outstanding at August 31, 1995	1,443,689	\$ 2.21	- \$29.25
Granted	80,854	22.68	- 32.44
Exercised	(121,949)	2.21	- 22.25
Canceled	(154,699)	15.63	- 29.25
Outstanding at August 31, 1996	1,247,895	\$ 3.50	- \$32.44
Exercisable at August 31, 1996	797,263	\$ 3.50	- \$29.25

</TABLE>

Outside Director Plan: Annually, each outside director is automatically granted stock options to purchase 1,000 shares of common stock at a price equal to the market price of the underlying stock on the date of grant. A maximum of 60,000 shares may be issued under this plan. Options vest 100% after 11 months.

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A summary of option activity under this plan is as follows:

<TABLE>  
<CAPTION>

	Number of Shares	Price Range	
<S>	<C>	<C>	
Outstanding at September 1, 1993	14,000	\$12.75	- \$ 24.13
Granted	6,000	16.69	
Canceled	(1,000)	16.69	
Outstanding at August 31, 1994	19,000	\$12.75	- \$ 24.13
Granted	5,000	25.00	
Exercised	(4,000)	12.75	- 24.13

Outstanding at August 31, 1995	20,000	\$12.75	-	\$ 25.00
Granted	6,000	27.63		
Exercised	(1,000)	17.00		
Outstanding at August 31, 1996	25,000	\$12.75	-	\$ 27.63
Exercisable at August 31, 1996	19,000	\$12.75	-	\$ 25.00

</TABLE>

NOTE K - EMPLOYEE STOCK OWNERSHIP AND RETIREMENT PLANS

US Employees: Primarily all of the Company's full-time US employees are participants in the Applied Power Inc. Employee Stock Ownership Plan (the "ESOP Plan"). Under the provisions of the ESOP Plan, the plan administrator acquires shares of Class A common stock on the open market and allocates such shares to accounts set aside for Company employees' retirements. Contributions equal 3% of each employee's annual cash compensation except "initial participants," who received no allocation of shares until 1995. During the years ended August 31, 1996, 1995 and 1994, pre-tax expense related to the ESOP Plan was \$1,735, \$1,720 and \$534, respectively.

The Company also offers an employee 401(k) Savings Plan (the "Savings Plan") to encourage eligible employees to save on a regular basis for their retirements. Primarily all full-time US employees are eligible to participate in the Savings Plan, and generally may contribute up to 15% of their base compensation. Effective January 1, 1996, the Company's annual match equals approximately 25% of each participant's first 6% of earnings. Expense attributable to the Savings Plan was \$672, \$643 and \$293 for 1996, 1995 and 1994, respectively.

Non-US Employees: The Company contributes to a number of retirement programs for employees outside the US. Pension expense amounted to \$948, \$821 and \$631 in 1996, 1995 and 1994, respectively. These plans are not required to report to US governmental agencies under ERISA and do not otherwise determine the actuarial value of accumulated plan benefits or net assets available for benefits.

NOTE L - POSTRETIREMENT BENEFITS

The Company does not offer postretirement health care and life insurance benefits to employees. However, certain employees of businesses previously acquired by the Company were entitled to such benefits upon retirement. The individuals receiving health care benefits under these programs are required to make monthly contributions to defray a portion of the cost. Retiree contributions are adjusted annually. Retirees currently do not contribute toward the cost of life insurance. The accounting for retiree health care benefits assumes retirees will continue to contribute toward the cost of such benefits.

Net periodic postretirement benefit expense for 1996, 1995 and 1994 included the following components:

<TABLE>

<CAPTION>

	1996	1995	1994
<S>	<C>	<C>	<C>
Service cost of benefits earned	\$ 8	\$ 9	\$ 9
Interest cost on accumulated postretirement benefit obligation	400	482	553
Amortization of unrecognized gain	(251)	(180)	(91)
Total Postretirement Benefit Expense	\$ 157	\$ 311	\$471

</TABLE>

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The Company's accumulated postretirement benefit obligation for such benefits is as follows:

<TABLE>

<CAPTION>

	August 31,	
	1996	1995
<S>	<C>	<C>
Retirees	\$4,174	\$4,887
Vested former employees	1,029	1,419
Active employees	225	238
Subtotal	5,428	6,544
Unrecognized gain	4,131	3,037



Accumulated Postretirement Benefit Obligation     \$9,559     \$9,581  
     =====     =====

</TABLE>

The Company's postretirement benefit obligation is not funded. Benefits paid in 1996 were \$22 higher than that expensed during the year. Payments in 1995 and 1994 were \$24 and \$202 lower than that expensed during those years, respectively.

The health care cost trend rate used in the actuarial calculations was 10.6%, trending downward to 6.5% by the year 2010, and remaining level thereafter. The discount rate used in determining the accumulated postretirement benefit obligation was 7.75% in each of the years 1996, 1995 and 1994. The effect of a one percentage-point change in health care cost trend rates would change the accumulated postretirement benefit obligation by approximately 9%.

NOTE M - INCOME TAXES

Income tax expense for continuing operations consists of the following:

<TABLE>

<CAPTION>

	1996	1995	1994
	-----	-----	-----
<S>	<C>	<C>	<C>
Currently Payable:			
Federal	\$ 9,361	\$ 7,007	\$ 4,475
Foreign	6,059	6,313	3,621
State	1,606	1,255	1,095
	-----	-----	-----
Subtotals	17,026	14,575	9,191
	-----	-----	-----
Deferred:			
Federal	(711)	(2,582)	(2,166)
Foreign	(780)	230	1,672
State	(97)	(355)	(295)
	-----	-----	-----
Subtotals	(1,588)	(2,707)	(789)
	-----	-----	-----
Totals	\$15,438	\$11,868	\$ 8,402
	=====	=====	=====

</TABLE>

Components of deferred income tax benefits include the following:

<TABLE>

<CAPTION>

	1996	1995	1994
	-----	-----	-----
<S>	<C>	<C>	<C>
Compensation and other employee benefits	\$ 371	\$ (443)	\$ (962)
Inventory items	(694)	26	(519)
Depreciation and amortization	(1,917)	(956)	(1,798)
Restructuring expenses	373	574	2,504
Deferred income	574	(1,225)	(119)
Book reserves and other items	(295)	(683)	105
	-----	-----	-----
Totals	\$ (1,588)	\$ (2,707)	\$ (789)
	=====	=====	=====

</TABLE>

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Income tax expense differs from the amounts computed by applying the Federal income tax rate to earnings before income tax expense. A reconciliation of income taxes at the US statutory rate to the effective tax rate follows:

<TABLE>

<CAPTION>

	Percent of Pre-tax Earnings		
	1996	1995	1994
	-----	-----	-----
<S>	<C>	<C>	<C>
Federal statutory rate	35.0%	35.0%	35.0%
State income taxes, net of Federal effect	2.0	1.6	2.1
Non-deductible amortization	0.9	1.2	1.8
Net effects of foreign tax rates and credits	(5.0)	(5.6)	(4.2)
Other items	(1.5)	-	(1.5)
	-----	-----	-----
Effective Tax Rate	31.4%	32.2%	33.2%
	=====	=====	=====

</TABLE>

Temporary differences and carryforwards which gave rise to the deferred tax assets and liabilities included the following items:

<TABLE>  
<CAPTION>

	1996	1995
	-----	-----
<S>	<C>	<C>
Deferred tax assets:		
Operating loss and foreign tax credit carryforwards	\$ 2,064	\$ 4,167
Compensation and other employee benefits	5,327	5,698
Inventory items	5,821	4,446
Restructuring expenses	177	550
Deferred income	1,137	1,711
Book reserves and other items	3,092	2,501
	-----	-----
	17,618	19,073
Valuation allowance	(2,441)	(4,700)
	-----	-----
	15,177	14,373
	-----	-----
Deferred tax liabilities:		
Depreciation and amortization	10,313	11,485
Inventory items	4,045	3,364
Other items	5,480	5,613
	-----	-----
	19,838	20,462
	-----	-----
Net Deferred Tax Liability	\$ (4,661)	\$ (6,089)
	=====	=====

</TABLE>

The valuation allowance primarily represents foreign loss and foreign tax credit carryforwards for which utilization is uncertain. The majority of the foreign losses may be carried forward indefinitely; however, the foreign tax credit carryforwards expire in 1997.

Income taxes paid during 1996, 1995 and 1994 were \$17,039, \$12,280 and \$9,191, respectively.

The Company's policy is to remit earnings from foreign subsidiaries only to the extent any resultant foreign income taxes are creditable in the US. Accordingly, the Company does not currently provide for the additional US and foreign income taxes which would become payable upon remission of undistributed earnings of foreign subsidiaries. Undistributed earnings on which additional income taxes have not been provided amounted to approximately \$40,000 at August 31, 1996. If all such undistributed earnings were remitted, an additional provision for income taxes of approximately \$2,700 would have been necessary as of August 31, 1996.

Earnings from continuing operations before income taxes from non-US operations were \$10,639, \$16,156 and \$12,041 for 1996, 1995 and 1994, respectively.

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NOTE N - SEGMENT INFORMATION

The Company's operations are classified into three business segments: Distributed Products, Engineered Solutions and Wright Line. Distributed Products is involved in the design, manufacture and distribution of tools and consumables to the construction, electrical wholesale, retail DIY, datacom, retail automotive, industrial and production automation markets. Engineered Solutions focuses on developing and marketing value-added, customized solutions for OEMs in the automotive, truck, off-highway equipment, medical, aerospace, semiconductor, defense and industrial markets. Wright Line designs, manufactures and sells furnishings and enclosures utilized in technology intensive business environments.

Summarized financial information by business segment is as follows:

<TABLE>  
<CAPTION>

	1996	1995	1994
	-----	-----	-----
<S>	<C>	<C>	<C>
NET SALES:			
Distributed Products	\$284,490	\$264,823	\$222,076
Engineered Solutions	190,940	192,219	162,296
Wright Line	95,785	70,016	49,272
	-----	-----	-----
Totals	\$571,215	\$527,058	\$433,644
	=====	=====	=====
OPERATIONS BEFORE INCOME TAXES:			
Distributed Products	\$ 36,590	\$ 37,379	\$ 32,023
Engineered Solutions	16,801	15,200	12,314
Wright Line	14,362	8,587	4,242
General corporate and other	(18,586)	(24,293)	(23,281)
	-----	-----	-----

Totals	\$ 49,167	\$ 36,873	\$ 25,298
	=====	=====	=====

DEPRECIATION:

Distributed Products	\$ 6,242	\$ 4,826	\$ 4,165
Engineered Solutions	8,165	7,800	7,346
Wright Line	2,551	2,406	2,761
General corporate and other	66	55	42
	-----	-----	-----
Totals	\$ 17,024	\$ 15,087	\$ 14,314
	=====	=====	=====

CAPITAL EXPENDITURES:

Distributed Products	\$ 9,515	\$ 6,440	\$ 5,917
Engineered Solutions	6,497	6,321	5,957
Wright Line	6,715	2,955	769
General corporate and other	7	270	64
	-----	-----	-----
Totals	\$ 22,734	\$ 15,986	\$ 12,707
	=====	=====	=====

<CAPTION>

	August 31,		
	1996	1995	1994
	-----	-----	-----
<S>	<C>	<C>	<C>
ASSETS:			
Distributed Products	\$210,939	\$163,053	\$148,737
Engineered Solutions	121,000	129,682	128,190
Wright Line	37,077	25,969	23,838
General corporate	12,225	14,242	16,637
	-----	-----	-----
Totals	\$381,241	\$332,946	\$317,402
	=====	=====	=====

</TABLE>

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Summarized financial information by geographic region is as follows:

<TABLE>  
<CAPTION>

	1996	1995	1994
	-----	-----	-----
<S>	<C>	<C>	<C>
NET SALES:			
North America	\$360,844	\$323,015	\$279,613
Europe	143,683	136,813	99,215
Japan and Asia Pacific	56,750	55,208	43,516
Latin America	9,938	12,022	11,300
	-----	-----	-----
Totals	\$571,215	\$527,058	\$433,644
	=====	=====	=====

OPERATIONS BEFORE INCOME TAXES:

North America	\$ 48,538	\$ 37,777	\$ 32,672
Europe	16,483	15,208	8,352
Japan and Asia Pacific	3,796	7,227	7,043
Latin America	(1,064)	954	512
General corporate and other	(18,586)	(24,293)	(23,281)
	-----	-----	-----
Totals	\$ 49,167	\$ 36,873	\$ 25,298
	=====	=====	=====

<CAPTION>

	August 31,		
	1996	1995	1994
	-----	-----	-----
<S>	<C>	<C>	<C>
ASSETS:			
North America	\$240,420	\$192,032	\$192,103
Europe	78,445	77,505	64,919
Japan and Asia Pacific	38,834	37,200	32,690
Latin America	11,317	11,967	11,053
General corporate	12,225	14,242	16,637
	-----	-----	-----
Totals	\$381,241	\$332,946	\$317,402
	=====	=====	=====

</TABLE>

Operations before income taxes for each business and geographic segment do not include general corporate expenses, amortization expense, interest expense or currency exchange adjustments. Sales between business segments and geographic areas are insignificant and are accounted for at prices intended to yield a reasonable return to the selling affiliate. No single customer accounted for

more than 10% of total sales in 1996, 1995 or 1994. Export sales from domestic operations were less than 10% in each of the periods presented.

Corporate assets, which are not allocated, represent principally cash and prepaid taxes.

NOTE O - CONTINGENCIES AND LITIGATION

The Company had outstanding letters of credit totaling \$830 and \$1,300 at August 31, 1996 and 1995, respectively. The letters of credit generally serve as collateral for liabilities included in the Consolidated Balance Sheet.

The Company is involved in various legal proceedings which have arisen in the normal course of its business. These legal proceedings typically include product liability and patent claims. The Company has recorded reserves for loss contingencies based on the specific circumstances of each case. Such reserves are recorded when the occurrence of loss is probable and can be reasonably estimated. In the opinion of management, the resolution of these contingencies will not have a materially adverse effect on the Company's financial condition or results of operations.

The Company has facilities at numerous geographic locations, which are subject to a range of environmental laws and regulations. Environmental costs are expensed or capitalized depending on their future economic benefit. Expenditures that have no future economic value are expensed. Liabilities are recorded when environmental remediation is probable, and the costs can be reasonably estimated. Although the level of future expenditures for

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environmental remediation is impossible to determine with any degree of certainty, it is management's opinion that such costs will not have a material effect on the Company's financial position. Environmental remediation accruals of \$611 and \$573 were included in the Consolidated Balance Sheet at August 31, 1996 and 1995, respectively.

NOTE P - SUBSEQUENT EVENT

On September 26, 1996, the Company, through its Wright Line subsidiary, completed the acquisition of the net assets of Everest Electronic Equipment, Inc. ("Everest"). Consideration for the transaction was approximately \$52,000, and was funded by proceeds from borrowings under existing credit facilities. Everest, based in Anaheim, California, manufactures custom and standard electronic enclosures used primarily by the computer, telecom, and datacom industries.

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APPLIED POWER INC. AND SUBSIDIARIES

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS

(Dollars in Thousands)

<TABLE>  
<CAPTION>

Description	Balance at Beginning of Period	Additions		Deductions		Balance at End of Period
		Charged to Costs and Expenses	Net Acquired	Accounts Written Off Less Recoveries	Other	
Deducted from assets to which they apply:						
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Allowance for losses - trade accounts receivable						
August 31, 1996	\$3,593	\$1,203	\$100	\$ 717	-	\$4,179
August 31, 1995	\$3,131	\$1,255	-	\$ 793	-	\$3,593
August 31, 1994	\$3,053	\$1,379	-	\$1,301	-	\$3,131

Allowance for losses -

inventory						
August 31, 1996	\$8,371	\$7,529	\$ 30	\$3,885	-	12,045
	=====	=====	=====	=====	=====	=====
August 31, 1995	\$6,268	\$5,413	-	\$3,310	-	\$8,371
	=====	=====	=====	=====	=====	=====
August 31, 1994	\$4,854	\$3,998	-	\$2,584	-	\$6,268
	=====	=====	=====	=====	=====	=====

</TABLE>

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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)

Dated: November 15, 1996

By: /s/ Robert C. Arzbaecher

-----  
Robert C. Arzbaecher  
Vice President and  
Chief Financial Officer

POWER OF ATTORNEY

KNOWN ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Richard G. Sim and Robert C. Arzbaecher, and each of them, his true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign any and all amendments to this report, and to file the same, with all and any other regulatory authority, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.\*

SIGNATURE	TITLE
-----	-----
/s/ Richard G. Sim ----- Richard G. Sim	Chairman of the Board, President and Chief Executive Officer; Director
/s/ Robert C. Arzbaecher ----- Robert C. Arzbaecher	Vice President and Chief Financial Officer (Principal Financial Officer)
/s/ Richard D. Carroll ----- Richard D. Carroll	Controller (Principal Accounting Officer)
/s/ H. Richard Crowther ----- H. Richard Crowther	Director
/s/ Jack L. Heckel ----- Jack L. Heckel	Director
/s/ Richard M. Jones ----- Richard M. Jones	Director
/s/ Richard A. Kashnow ----- Richard A. Kashnow	Director
/s/ L. Dennis Kozlowski ----- L. Dennis Kozlowski	Director
/s/ Raymond S. Trough ----- Raymond S. Trough	Director

/s/ John J. McDonough Director

John J. McDonough

\* Each of the above signatures is affixed as of November 15, 1996.

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APPLIED POWER INC.  
(COMMISSION FILE NO. 1-11288)  
ANNUAL REPORT ON FORM 10-K  
FOR THE FISCAL YEAR ENDED AUGUST 31, 1996  
INDEX TO EXHIBITS

<TABLE>  
<CAPTION>

EXHIBIT	DESCRIPTION	INCORPORATED HEREIN BY REFERENCE TO	FILED HEREWITH
<S>	<C>	<C>	<C>
3.1	(a) Amended and Restated Articles of Incorporation (as adopted January 8, 1987)	Exhibit 19.1(a) to the Registrant's Form 10-Q for quarter ended February 28, 1990 ("2/28/90 10-Q")	
	(b) Articles of Amendment to Amended and Restated Articles of Incorporation, amending Sections 3.1 and 3.2 of Article III and Article IV (as adopted January 13, 1990)	Exhibit 19.1(b) to 2/28/90 10-Q	
3.2	Amended and Restated By-Laws (as last amended by amendment to Section 3.01 increasing the number of directors to eight, adopted August 8, 1996)		X
4+			
4.1	Articles III, IV and V of Amended and Restated Articles of Incorporation, as amended	See Exhibit 3.1 above	
4.2	Agreement for Purchase and Sale, dated August 29, 1990, between Minnesota Mining and Manufacturing Company and Applied Power Inc., and seven related Leases, each dated April 29, 1991, between Bernard Garland and Sheldon Garland, d/b/a Garland Enterprises, as Landlord, and Applied Power Inc., as Tenant	Exhibit 19.2(a)-(g) to the Registrant's Form 10-Q for quarter ended May 31, 1991	

</TABLE>

+ Pursuant to Item 601(b)(4)(iii)(A) of Regulation S-K, the Registrant agrees to furnish to the Securities and Exchange Commission upon request a copy of any unfiled instruments, or any unfiled exhibits or schedules to filed instruments, defining the rights of security holders.

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<TABLE>  
<CAPTION>

EXHIBIT	DESCRIPTION	INCORPORATED HEREIN BY REFERENCE TO	FILED HEREWITH
<S>	<C>	<C>	<C>
4.3	(a) Multi-currency Credit Agreement, dated as of August 22, 1995 between Applied Power Inc. and Applied Power Finance S.A., as borrowers, various financial institutions, as lenders, Bank of America National Trust and Savings Association, as agent, and BA Securities, Inc., as arranger	Exhibit 4.3 to the Registrant's Form 10-K for fiscal year ended August 31, 1995 ("1995 10-K")	
	(b) First Amendment Agreement dated as of August 29, 1996		X
4.4	(a) Amended and Restated Receivables Purchase Agreement, dated as of August 30, 1995, between Applied Power Inc., Barry Wright Corporation, Wright Line Inc., GB Electrical, Inc., and certain other subsidiaries from time to time	Exhibit 4.4 to 1995 10-K	

parties thereto, as sellers, and PNC Bank, National Association, and other financial institutions from time to time parties thereto, as purchasers

(b) First Amendment to Amended and Restated Receivables Purchase Agreement dated as of August 30, 1996

X

10.1\* Employment Agreement dated May 9, 1994 between Applied Power Inc. and Richard G. Sim (superseding Employment Agreement dated July 5, 1985, as amended)

Exhibit 10.1 to the Registrant's form 10-K for fiscal year ended August 31, 1994

</TABLE>

\*Management contracts and executive compensation plans and arrangements required to be filed as exhibits pursuant to Item 14(c) of Form 10-K.

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<TABLE>  
<CAPTION>

EXHIBIT	DESCRIPTION	INCORPORATED HEREIN BY REFERENCE TO	FILED HEREWITH
<S>	<C>	<C>	<C>
10.2*	(a) Applied Power Inc. 1985 Stock Option Plan adopted by Board of Directors on August 1, 1985 and approved by shareholders on January 6, 1986, as amended ("1985 Plan")	Exhibit 10.2(a) to the Registrant's Form 10-K for fiscal year ended August 31, 1989 ("1989 10-K")	
	(b) Amendment to 1985 Plan adopted by Board of Directors on November 8, 1989 and approved by shareholders on January 13, 1990	Exhibit 10.2(b) to 1989 10-K	
	(c) Amendment to 1985 Plan adopted by Board of Directors on August 9, 1990	Exhibit 10.2(c) to the Registrant's Form 10-K for fiscal year ended August 31, 1990 ("1990 10-K")	
10.3*	(a) Applied Power Inc. 1987 Nonqualified Stock Option Plan adopted by Board of Directors on November 3, 1987 and approved by shareholders on January 7, 1988 ("1987 Plan")	Exhibit 10.8 to the Registrant's Form 10-K for fiscal year ended August 31, 1987	
	(b) Amendment to 1987 Plan adopted by Board of Directors on November 8, 1989 and approved by shareholders on January 13, 1990	See Exhibit 10.2(b)	
10.4*	(a) Applied Power Inc. 1990 Stock Option Plan adopted by Board of Directors on August 9, 1990 and approved by shareholders on January 7, 1991 ("1990 Plan")	Exhibit A to the Registrant's Proxy Statement dated December 5, 1990 for 1991 Annual Meeting of Shareholders	
	(b) Amendment to 1990 Plan adopted by Board of Directors on August 10, 1992 and approved by shareholders on January 7, 1993	Exhibit 10.5(b) to the Registrant's Form 10-K for fiscal year ended August 31, 1992	

</TABLE>

\* Management contracts and executive compensation plans and arrangements required to be filed as exhibits pursuant to Item 14(c) of Form 10-K.

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<TABLE>  
<CAPTION>

EXHIBIT	DESCRIPTION	INCORPORATED HEREIN BY REFERENCE TO	FILED HEREWITH
<S>	<C>	<C>	<C>
10.5*	Description of Fiscal 1996 Management Bonus Arrangements	Exhibit 10.6 to 1995 10-K	
10.6*	Description of Fiscal 1997 Management Bonus Arrangements		X
10.7*	(a) Applied Power Inc. 1989 Outside Directors' Stock Option Plan adopted by Board of Directors on November 8, 1989 and approved by shareholders on	Exhibit 10.7 to 1989 10-K	

January 13, 1990 ("1989 Plan")

(b) Amendment to 1989 Plan adopted by Board of Directors on November 9, 1990 and approved by shareholders on January 7, 1991

Exhibit 10.7(b) to 1990 10-K

(c) Amendment to 1989 Plan adopted by Board of Directors on October 31, 1996

X

10.8*	Outside Directors' Deferred Compensation Plan adopted by Board of Directors on May 4, 1995	Exhibit 10.8 to 1995 10-K
10.9	Asset Purchase Agreement between Applied Power Inc. and Wright Line Inc., on the one hand and Everest Electronic Equipment, Inc., Wallace H. Twedt, Terry D. Wells and Robert L. Wells, on the other hand dated August 27, 1996	Exhibit 2.1 to the Registrant's Form 8-K dated October 11, 1996
10.10*	1996 Stock Plan adopted by Board of Directors on August 8, 1996 and proposed for shareholder approval on January 8, 1997	Annex A to the Registrant's Proxy Statement dated November 19, 1996 for 1997 Annual Meeting of Shareholders

</TABLE>

\* Management contracts and executive compensation plans and arrangements required to be filed as exhibits pursuant to Item 14(c) of Form 10-K.

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<TABLE>  
<CAPTION>

EXHIBIT	DESCRIPTION	INCORPORATED HEREIN BY REFERENCE TO	FILED HEREWITH
<S>	<C>	<C>	<C>
10.11*	Deferred Compensation Plan adopted by Board of Directors on October 31, 1996 and proposed for shareholder approval on January 8, 1997		X
11	Statement regarding Computation of Earnings Per Share		X
21	Subsidiaries of the Registrant		X
23	Consent of Deloitte & Touche LLP		X
24	Power of Attorney	See Signature Page of this report	
27	Financial Data Schedule		X

</TABLE>

\* Management contracts and executive compensation plans and arrangements required to be filed as exhibits pursuant to Item 14(c) of Form 10-K.

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AMENDED AND RESTATED BYLAWS

of

APPLIED POWER INC.

ADOPTED

NOVEMBER 7, 1991

and

AS LAST AMENDED ON AUGUST 8, 1996

ARTICLE I. OFFICES; RECORDS; FISCAL YEAR

1.01. Principal and Business Offices. The corporation may have such principal and other business offices, either within or without the State of Wisconsin, as the Board of Directors may designate or as the business of the corporation may require from time to time.

1.02. Registered Office and Registered Agent. The registered office of the corporation required by the Wisconsin Business Corporation Law to be maintained in the State of Wisconsin may be, but need not be, identical with the principal office in the State of Wisconsin. The street address of the registered office may be changed from time to time by any officer or by the registered agent. The business office of the registered agent of the corporation shall be identical to the street office of such registered office.

1.03. Corporate Records. The following documents and records shall be kept at the corporation's principal office or at such other reasonable location as may be specified by the corporation:

(a) Minutes of shareholders' and Board of Directors' meetings, any written notices thereof and any written waivers of such notices.

(b) Records of actions taken by the shareholders or Board of Directors without a meeting.

(c) Records of actions taken by committees of the Board of Directors in place of the Board of Directors and on behalf of the Corporation.

(d) Accounting records.

(e) A record of its shareholders.

(f) Current Bylaws.

1.04. Fiscal Year. The fiscal year of the corporation shall commence on the first day of September and end on the last day of August.

ARTICLE II. SHAREHOLDERS

2.01. Annual Meeting. The annual meeting of the shareholders shall be held on the second Tuesday in January, or at such other time and date as may be fixed by or under the authority of the Board of Directors, for the purpose of electing directors and for the transaction of such other business as may come before the meeting. If the day fixed for the annual meeting is a legal holiday in the State of Wisconsin, such meeting shall be held on the next succeeding business day. If the election of directors is not held on the day designated herein, or fixed as herein provided, for any annual meeting of the shareholders, or at any adjournment thereof, the Board of Directors shall cause the election

to be held at a meeting of the shareholders as soon thereafter as may be convenient.

2.02. Special Meetings. Special meetings of the shareholders, for any purpose or purposes, unless otherwise prescribed by statute, may be called by the Chairperson of the Board, if there is one, the President or the Board of Directors. If and as required by the Wisconsin Business Corporation Law, a special meeting shall be called upon written demand describing one or more purposes for which it is to be held by holders of shares with at least 10% of the votes entitled to be cast on any issue proposed to be considered at the meeting. The purpose or purposes of any special meeting shall be described in the notice required by Section 2.04 of these Bylaws.

2.03. Place of Meeting. The Board of Directors may designate any place, either within or without the State of Wisconsin, as the place of meeting for any annual meeting or any special meeting. If no designation is made, the place of meeting shall be the principal office of the corporation but any meeting may be adjourned to reconvene at any place designated by vote of a majority of the shares represented thereat.

2.04. Notices to Shareholders.

(a) Required Notice. Written notice stating the place, day and hour of the meeting and, in case of a special meeting, the purpose or purposes for which the meeting is called, shall be delivered not less than ten (10) days nor more than sixty (60) days before the date of the meeting (unless a different time is provided by law or the Articles of Incorporation), by or at the direction of the Chairperson of the Board, if there is one, the President or the Secretary, to each shareholder entitled to vote at such meeting or, for the fundamental transactions described in Sections 2.04(e) (1) to (4) below (for which the Wisconsin Business Corporation Law requires that notice be given to shareholders not entitled to vote), to all shareholders. If mailed, such notice is effective when deposited in the United States mail, and shall be addressed to

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the shareholder's address shown in the current record of shareholders of the corporation, with postage thereon prepaid. At least twenty (20) days' notice shall be provided if the purpose, or one of the purposes, of the meeting is to consider a plan of merger or share exchange for which shareholder approval is required by law, or the sale, lease, exchange or other disposition of all or substantially all of the corporation's property, with or without good will, otherwise than in the usual and regular course of business.

(b) Adjourned Meeting. If any shareholder meeting is adjourned to a different date, time or place, notice need not be given of the new date, time or place, if the new date, time or place is announced at the meeting before adjournment; provided, however, that if a new record date for the adjourned meeting is or must be fixed, then notice must be given pursuant to the requirements of Section 2.04(a), to those persons who are shareholders as of the new record date.

(c) Waiver of Notice. A shareholder may waive notice in accordance with Article VI of these Bylaws.

(d) Contents of Notice. The notice of each special shareholder meeting shall include a description of the purpose or purposes for which the meeting is called. Except as otherwise provided in Section 2.04(e), in the Articles of Incorporation, or in the Wisconsin Business Corporation Law, the notice of an annual shareholder meeting need not include a description of the purpose or purposes for which the meeting is called.

(e) Fundamental Transactions. If a purpose of any shareholder meeting is to consider: (1) a proposed amendment to the Articles of Incorporation (including any restated articles); (2) a plan of merger or share exchange for which shareholder approval is required by law; (3) the sale, lease, exchange or other disposition of all or substantially all of the corporation's property, with or without good will, otherwise than in the usual and regular course of business; (4) the dissolution of the corporation; or (5) the removal of a director, the notice must so state and in cases (1), (2) and (3) above must be accompanied by, respectively, a copy or summary of the: (1) proposed articles of amendment or a copy of the restated articles that identifies any amendment or other change; (2) proposed plan of merger or share exchange; or (3) proposed transaction for disposition of all or substantially all of the corporation's property. If the proposed corporate action creates dissenters' rights, the notice must state that shareholders and beneficial shareholders are or may be entitled to assert dissenters' rights, and must be accompanied by a copy of Sections 180.1301 to 180.1331 of the Wisconsin Business Corporation Law.

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2.05. Fixing of Record Date. The Board of Directors may fix in advance a date as the record date for one or more voting classes for any determination of shareholders entitled to notice of a shareholders' meeting, to demand a special meeting, to vote, or to take any other action, such date in any case to be not more than seventy (70) days prior to the meeting or action requiring such determination of shareholders, and may fix the record date for determining shareholders entitled to a share dividend or distribution. If no record date is fixed for the determination of shareholders entitled to demand a shareholder meeting, to notice of or to vote at a meeting of shareholders, or to consent to action without a meeting, (a) the close of business on the day before the corporation receives the first written demand for a shareholder meeting, (b) the close of business on the day before the first notice of the meeting is mailed or otherwise delivered to shareholders, or (c) the close of business on the day before the first written consent to shareholder action without a meeting is received by the corporation, as the case may be, shall be the record date for the determination of shareholders. If no record date is fixed for the determination of shareholders entitled to receive a share dividend or distribution (other than a distribution involving a purchase, redemption or other acquisition of the corporation's shares), the close of business on the day on which the resolution of the Board of Directors is adopted declaring the dividend or distribution shall be the record date. When a determination of shareholders entitled to vote at any meeting of shareholders has been made as provided in this section, such determination shall be applied to any adjournment thereof unless the Board of Directors fixes a new record date and except as otherwise required by law. A new record date must be set if a meeting is adjourned to a date more than 120 days after the date fixed for the original meeting.

2.06. Shareholder List. The officer or agent having charge of the stock transfer books for shares of the corporation shall, before each meeting of shareholders, make a complete record of the shareholders entitled to notice of such meeting, arranged by class or series of shares and showing the address of and the number of shares held by each shareholder. The shareholder list shall be available at the meeting and may be inspected by any shareholder or his or her agent or attorney at any time during the meeting or any adjournment. Any shareholder or his or her agent or attorney may inspect the shareholder list beginning two (2) business days after the notice of the meeting is given and continuing to the date of the meeting, at the corporation's principal office or at a place identified in the meeting notice in the city where the meeting will be held and, subject to Section 180.1602(2)(b) 3 to 5 of the Wisconsin Business Corporation Law, may copy the list, during regular business hours and at his or her expense, during the period that it is available for inspection hereunder. The original stock transfer books and nominee certificates on file with the corporation (if any) shall be prima facie evidence as to who are the shareholders entitled to inspect the shareholder list or to vote at any meeting of share-

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holders. Refusal or failure to comply with the requirements of this section shall not affect the validity of any action taken at such meeting.

2.07. Quorum and Voting Requirements. Except as otherwise provided in the Articles of Incorporation or in the Wisconsin Business Corporation Law, a majority of the votes entitled to be cast by shares entitled to vote as a separate voting class on a matter, represented in person or by proxy, shall constitute a quorum of that voting class for action on that matter at a meeting of shareholders. If a quorum exists, action on a matter, other than the election of directors, by a voting class is approved if the votes cast within the voting class favoring the action exceed the votes cast opposing the action unless a greater number of affirmative votes is required by the Wisconsin Business Corporation Law or the Articles of Incorporation. If the Articles of Incorporation or the Wisconsin Business Corporation Law provide for voting by two (2) or more voting classes on a matter, action on that matter is taken only when voted upon by each of those voting classes counted separately. Action may be taken by one (1) voting class on a matter even though no action is taken by another voting class entitled to vote on the matter. Although less than a quorum exists at a meeting, a majority of the shares represented at the meeting may adjourn the meeting from time to time and, unless a new record date is or must be set for the meeting, the corporation is not required to give notice of the new date, time or place of the meeting if the new date, time or place is announced at the meeting before adjournment. Once a share is represented for any purpose at a meeting, other than for the purpose of objecting to holding the meeting or transacting business at the meeting, it is considered present for purposes of determining whether a quorum exists for the remainder of the meeting and for any adjournment of that meeting unless a new record date is or must be set for that meeting. The term "voting class" as used in these Bylaws shall have the same meaning as the term "voting group" under the Wisconsin Business Corporation Law.

2.08. Conduct of Meetings. The Chairperson of the Board, or if there is none, or in his or her absence, the President, and in the President's

absence, a Vice President in the order provided under Section 4.06 of these Bylaws, and in their absence, any person chosen by the shareholders present shall call the meeting of the shareholders to order and shall act as chairperson of the meeting, and the Secretary shall act as secretary of all meetings of the shareholders, but, in the absence of the Secretary, the presiding officer may appoint any other person to act as secretary of the meeting.

2.09. Proxies. At all meetings of shareholders, a shareholder entitled to vote may vote in person or by proxy appointed in writing by the shareholder or by his or her duly authorized attorney-in-fact. All proxy appointment forms shall be filed with the Secretary or other officer or agent of the cor-

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poration authorized to tabulate votes before or at the time of the meeting. Unless the appointment form conspicuously states that it is irrevocable and the appointment is coupled with an interest, a proxy appointment may be revoked at any time. The presence of a shareholder who has filed a proxy appointment shall not of itself constitute a revocation. No proxy appointment shall be valid after eleven months from the date of its execution, unless otherwise expressly provided in the appointment form. The Board of Directors shall have the power and authority to make rules that are not inconsistent with the Wisconsin Business Corporation Law as to the validity and sufficiency of proxy appointments.

2.10. Voting of Shares. Each outstanding share shall be entitled to one (1) vote on each matter submitted to a vote at a meeting of shareholders, except to the extent that the voting rights of the shares are enlarged, limited or denied by the Articles of Incorporation or the Wisconsin Business Corporation Law. Shares owned directly or indirectly by another corporation are not entitled to vote if this corporation owns, directly or indirectly, sufficient shares to elect a majority of the directors of such other corporation. However, the prior sentence shall not limit the power of the corporation to vote any shares, including its own shares, held by it in a fiduciary capacity. Redeemable shares are not entitled to vote after notice of redemption is mailed to the holders and a sum sufficient to redeem the shares has been deposited with a bank, trust company, or other financial institution under an irrevocable obligation to pay the holders the redemption price on surrender of the shares.

#### ARTICLE III. BOARD OF DIRECTORS

3.01. General Powers and Number. All corporate powers shall be exercised by or under the authority of, and the business and affairs of the corporation shall be managed under the direction of, its Board of Directors. The number of directors of the corporation shall be eight (8). The number of directors may be increased or decreased from time to time by amendment to this Section adopted by the shareholders or the Board of Directors, but no decrease shall have the effect of shortening the term of an incumbent director.

3.02. Election, Removal, Tenure and Qualifications. Unless action is taken without a meeting under Section 7.01 of these Bylaws, directors shall be elected by a plurality of the votes cast by the shares of the voting class entitled to vote for such directors in the election at a shareholders meeting at which a quorum is present; i.e., the individuals eligible for election by a voting class with the largest number of votes in favor of their election are elected as directors up to the maximum number of directors to be chosen in the election by such voting class. Votes against a candidate are not given legal effect and are not

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counted as votes cast in an election of directors. In the event two (2) or more persons tie for the last vacancy to be filled, a run-off vote shall be taken from among the candidates receiving the tie vote. Each director shall hold office until the next annual meeting of shareholders and until the director's successor shall have been elected or there is a decrease in the number of directors, or until his or her prior death, resignation or removal. Any director may be removed from office by the affirmative vote of a two-thirds majority of the shares outstanding of the class or classes of stock which elected such director at a special meeting of shareholders called for that purpose. Although the foregoing bylaw establishes a greater shareholder voting requirement than is generally provided by the Wisconsin Business Corporation Law, it has not been amended or repealed, and it is therefore effective pursuant to Section 180.1706(4) or successor statutes. The removal may be made with or without cause unless the Articles of Incorporation or these Bylaws provide that directors may be removed only for cause. If a director is elected by a voting class of shareholders, only the shareholders of that voting class may participate in the vote to remove that director. A director may resign at any time by delivering a written resignation to the Board of Directors, to the

Chairperson of the Board (if there is one), or to the corporation through the Secretary or otherwise. Directors need not be residents of the State of Wisconsin or shareholders of the corporation. Any person who is seventy (70) years of age or older on the date of a meeting of shareholders shall not be eligible for election or re-election as a director at such meeting.

3.03. Regular Meetings. A regular meeting of the Board of Directors shall be held, without other notice than this Bylaw, immediately after the annual meeting of shareholders, and each adjourned session thereof. The place of such regular meeting shall be the same as the place of the meeting of shareholders which precedes it, or such other suitable place as may be announced at such meeting of shareholders or designated in a notice sent to the directors. The Board of Directors and any committee may provide, by resolution, the time and place, either within or without the State of Wisconsin, for the holding of additional regular meetings without other notice than such resolution.

3.04. Special Meetings. Special meetings of the Board of Directors may be called by or at the request of either the Chairperson of the Board, if there is one, or the President. Special meetings of any committee may be called by or at the request of the foregoing persons or the chairperson of the committee. The persons calling any special meeting of the Board of Directors or committee may fix any place, either within or without the State of Wisconsin, as the place for holding any special meeting called by them, and if no other place is fixed the place of meeting shall be the principal office of the corporation in the State of Wisconsin.

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3.05 Meetings By Telephone or Other Communication Technology. (a) Any or all directors may participate in a regular or special meeting or in a committee meeting of the Board of Directors by, or conduct the meeting through the use of, or any other means of communication by which either: (i) all participating directors may simultaneously hear each other during the meeting or (ii) all communication during the meeting is immediately transmitted to each participating director, and each participating director is able to immediately send messages to all other participating directors.

(b) If a meeting will be conducted through the use of any means described in Section 3.05(a), all participating directors shall be informed that a meeting is taking place at which official business may be transacted. A director participating in a meeting by any means described in Section 3.05(a) is deemed to be present in person at the meeting.

3.06. Notice of Meetings. Except as otherwise provided in the Articles of Incorporation or the Wisconsin Business Corporation Law, notice of the date, time and place of any special meeting of the Board of Directors and of any special meeting of a committee of the Board shall be given orally or in writing to each director or committee member at least 48 hours prior to the meeting, except that notice by mail or private carrier shall be given at least five (5) days prior to the meeting. The notice need not describe the purpose of the meeting. Notice may be communicated in person, by telephone, telegraph or facsimile, or by mail or private carrier. Oral notice is effective when communicated. Written notice is effective as follows: If delivered in person, when received; if given by mail, when deposited, postage prepaid, in the United States mail addressed to the director at his or her business or home address (or such other address as the director may have designated in writing filed with the Secretary); if given by private carrier, when delivered to the private carrier, with fees prepaid, addressed to the director at his or her business or home address (or such other address as the director may have designated in writing filed with the Secretary); if given by facsimile, at the time transmitted to a facsimile number at any address designated above; and if given by telegraph, when delivered to the telegraph company.

3.07. Quorum. Except as otherwise provided by the Wisconsin Business Corporation Law, a majority of the number of directors as provided in Section 3.01 shall constitute a quorum of the Board of Directors. Except as otherwise provided by the Wisconsin Business Corporation Law, a majority of the number of directors appointed to serve on a committee shall constitute a quorum of the committee. Although less than a quorum of the Board of Directors or a committee is present at a meeting, a majority of the directors present may adjourn the meeting from time to time without further notice.

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3.08. Manner of Acting. Except as otherwise provided by the Wisconsin Business Corporation Law or the Articles of Incorporation, the affirmative vote of a majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors or any committee thereof.

3.09. Conduct of Meetings. The Chairperson of the Board, or if there is none, or in his or her absence, the President, and in the President's absence, a Vice President in the order provided under Section 4.06 of these Bylaws, and in their absence, any director chosen by the directors present, shall call meetings of the Board of Directors to order and shall chair the meeting. The Secretary of the corporation shall act as secretary of all meetings of the Board of Directors, but in the absence of the Secretary, the presiding officer may appoint any assistant secretary or any director or other person present to act as secretary of the meeting.

3.10. Vacancies. Any vacancy occurring in the Board of Directors, including a vacancy created by an increase in the number of directors, may be filled by the shareholders or the Board of Directors. If the directors remaining in office constitute fewer than a quorum of the Board, the directors may fill a vacancy by the affirmative vote of a majority of all directors remaining in office. If the vacant office was held by a director elected by a voting class of shareholders, only the holders of shares of that voting class may vote to fill the vacancy if it is filled by the shareholders, and only the remaining directors elected by that voting class may vote to fill the vacancy if it is filled by the directors. A vacancy that will occur at a specific later date (because of a resignation effective at a later date or otherwise) may be filled before the vacancy occurs, but the new director may not take office until the vacancy occurs.

3.11. Compensation. The Board of Directors, irrespective of any personal interest of any of its members, may fix the compensation of directors, or may delegate the authority to an appropriate committee.

3.12. Presumption of Assent. A director who is present and is announced as present at a meeting of the Board of Directors or a committee thereof at which action on any corporate matter is taken shall be presumed to have assented to the action taken unless (i) the director objects at the beginning of the meeting or promptly upon his or her arrival to holding the meeting or transacting business at the meeting, or (ii) the director's dissent or abstention from the action taken is entered in the minutes of the meeting, or (iii) the director delivers his or her written dissent or abstention to the presiding officer of the meeting before the adjournment thereof or to the corporation immediately after the adjournment of the meeting. Such right to dissent or abstain shall not apply to a director who voted in favor of such action.

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3.13. Committees. Unless the Articles of Incorporation otherwise provide, the Board of Directors, by resolution adopted by the affirmative vote of a majority of all the directors then in office, may create one (1) or more committees. Each committee shall consist of three (3) or more directors as members. An Executive Committee so appointed shall have and may exercise, when the Board of Directors is not in session, the powers of the Board of Directors in the management of the business and affairs of the corporation, subject to the limitations set forth in this Section 3.13 and any additional limitations provided by resolution adopted by the affirmative vote of the directors then in office. Committees other than an Executive Committee, to the extent provided in the resolution adopted by the Board of Directors creating such other committees, and as thereafter supplemented or amended by further resolution adopted by a like vote, may exercise the authority of the Board of Directors, except that neither the Executive Committee nor any other committee may: (a) authorize distributions; (b) approve or propose to shareholders action that the Wisconsin Business Corporation Law requires be approved by shareholders; (c) fill vacancies on the Board of Directors or any of its committees, except that the Board of Directors may provide by resolution that any vacancies on a committee shall be filled by the affirmative vote of a majority of the remaining committee members; (d) amend the Articles of Incorporation; (e) adopt, amend or repeal Bylaws; (f) approve a plan of merger not requiring shareholder approval; (g) authorize or approve reacquisition of shares, except according to a formula or method prescribed by the Board of Directors or (h) authorize or approve the issuance or sale or contract for sale of shares, or determine the designation and relative rights, preferences and limitations of a class or series of shares, except within limits prescribed by the Board of Directors. The Board of Directors may elect one or more of its members as alternate members of any such committee who may take the place of any absent member or members at any meeting of such committee, upon request by the Chairperson of the Board, if there is one, the President or upon request by the chairperson of such meeting. Each such committee shall fix its own rules (consistent with the Wisconsin Business Corporation Law, the Articles of Incorporation and these Bylaws) governing the conduct of its activities and shall make such reports to the Board of Directors of its activities as the Board of Directors may request. Unless otherwise provided by the Board of Directors in creating a committee, a committee may employ counsel, accountants and other consultants to assist it in the exercise of authority. The creation of a committee, delegation of authority to a committee or action by a committee does not relieve the Board of Directors or

any of its members of any responsibility imposed on the Board of Directors or its members by law.

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#### ARTICLE IV. OFFICERS

4.01. Appointment. The principal officers shall include a President, one or more Vice Presidents (the number and designations to be determined by the Board of Directors), a Secretary, a Treasurer and such other officers if any, as may be deemed necessary by the Board of Directors, each of whom shall be appointed by the Board of Directors. Any two or more offices may be held by the same person.

4.02. Resignation and Removal. An officer shall hold office until he or she resigns, dies, is removed hereunder, or a different person is appointed to the office. An officer may resign at any time by delivering an appropriate written notice to the corporation. The resignation is effective when the notice is delivered, unless the notice specifies a later effective date and the corporation accepts the later effective date. Any officer may be removed by the Board of Directors with or without cause and notwithstanding the contract rights, if any, of the person removed. Except as provided in the preceding sentence, the resignation or removal is subject to any remedies provided by any contract between the officer and the corporation or otherwise provided by law. Appointment shall not of itself create contract rights.

4.03. Vacancies. A vacancy in any office because of death, resignation, removal or otherwise, shall be filled by the Board of Directors. If a resignation is effective at a later date, the Board of Directors may fill the vacancy before the effective date if the Board of Directors provides that the successor may not take office until the effective date.

4.04. Chairperson of the Board. The Board of Directors may at its discretion appoint a Chairperson of the Board. The Chairperson of the Board, if there is one, shall preside at all meetings of the shareholders and Board of Directors, and shall carry out such other duties as directed by the Board of Directors.

4.05. President. The President shall be the principal executive officer and, subject to the control and direction of the Board of Directors, shall in general supervise and control all of the business and affairs of the corporation. He or she shall, in the absence of the Chairperson of the Board (if one is appointed), preside at all meetings of the shareholders and of the Board of Directors. The President shall have authority, subject to such rules as may be prescribed by the Board of Directors, to appoint such agents and employees of the corporation as he or she shall deem necessary, to prescribe their powers, duties and compensation, and to delegate authority to them. Such agents and employees shall hold office at the discretion of the President. The President shall have authority to sign, execute and acknowledge, on behalf of the corporation, all deeds, mortgages,

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bonds, stock certificates, contracts, leases, reports and all other documents or instruments necessary or proper to be executed in the course of the corporation's regular business, or which shall be authorized by resolution of the Board of Directors; and, except as otherwise provided by law or directed by the Board of Directors, the President may authorize any Vice President or other officer or agent of the corporation to sign, execute and acknowledge such documents or instruments in his or her place and stead. In general he or she shall perform all duties incident to the office of President and such other duties as may be prescribed by the Board of Directors from time to time.

4.06. Vice Presidents. In the absence of the President, or in the event of the President's death, inability or refusal to act, or in the event for any reason it shall be impracticable for the President to act personally, a Vice President (or in the event there be more than one Vice President, the Vice Presidents in the order designated by the Board of Directors, or in the absence of any designation, then in the order of their appointment) shall perform the duties of the President, and when so acting, shall have all the powers of and be subject to all the restrictions upon the President. Any Vice President may sign, with the Secretary or Assistant Secretary, certificates for shares of the corporation; and shall perform such other duties and have such authority as from time to time may be delegated or assigned to him or her by the President or the Board of Directors. The execution of any instrument of the corporation by any Vice President shall be conclusive evidence, as to third parties, of the Vice President's authority to act in the stead of the President.

4.07. Secretary. The Secretary shall: (a) keep (or cause to be

kept) regular minutes of all meetings of the shareholders, the Board of Directors and any committees of the Board of Directors in one or more books provided for that purpose; (b) see that all notices are duly given in accordance with the provisions of these Bylaws or as required by law; (c) be custodian of the corporate records and of the seal of the corporation, if any, and see that the seal of the corporation, if any, is affixed to all documents which are authorized to be executed on behalf of the corporation under its seal; (d) keep or arrange for the keeping of a register of the post office address of each shareholder which shall be furnished to the Secretary by such shareholder; (e) sign with the President, or a Vice President, certificates for shares of the corporation, the issuance of which shall have been authorized by resolution of the Board of Directors; (f) keep or arrange for the keeping of the stock transfer books of the corporation; and (g) in general perform all duties incident to the office of Secretary and have such other duties and exercise such authority as from time to time may be delegated or assigned to him or her by the President or by the Board of Directors.

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4.08. Treasurer. The Treasurer shall: (a) have charge and custody of and be responsible for all funds and securities of the corporation; (b) receive and give receipts for moneys due and payable to the corporation from any source whatsoever, and deposit all such moneys in the name of the corporation in such banks, trust companies or other depositories as shall be selected by the corporation; and (c) in general perform all of the duties incident to the office of Treasurer and have such other duties and exercise such other authority as from time to time may be delegated or assigned to him or her by the President or by the Board of Directors.

4.09. Assistants and Acting Officers. The Board of Directors or the President shall have the power to appoint any person to act as assistant to any officer, or as agent for the corporation in the officer's stead, or to perform the duties of such officer whenever for any reason it is impracticable for such officer to act personally, and such assistant or acting officer or other agent so appointed by the Board of Directors or President shall have the power to perform all the duties of the office to which that person is so appointed to be assistant, or as to which he or she is so appointed to act, except as such power may be otherwise defined or restricted by the Board of Directors or the President.

4.10. Salaries. The salaries of the principal officers shall be fixed from time to time by the Board of Directors or by a duly authorized committee thereof, and no officer shall be prevented from receiving such salary by reason of the fact that such officer is also a director of the corporation.

#### ARTICLE V. CERTIFICATES FOR SHARES AND THEIR TRANSFER

5.01. Certificates for Shares. All shares of this corporation shall be represented by certificates. Certificates representing shares of the corporation shall be in such form, consistent with law, as shall be determined by the Board of Directors. At a minimum, a share certificate shall state on its face the name of the corporation and that it is organized under the laws of the State of Wisconsin, the name of the person to whom issued, and the number and class of shares and the designation of the series, if any, that the certificate represents. If the corporation is authorized to issue different classes of shares or different series within a class, the front or back of the certificate must contain either (a) a summary of the designations, relative rights, preferences and limitations applicable to each class, and the variations in the rights, preferences and limitations determined for each series and the authority of the Board of Directors to determine variations for future series, or (b) a conspicuous statement that the corporation will furnish the shareholder the information described in clause (a) on request, in writing and without charge. Such certificates shall be

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signed, either manually or in facsimile, by the President or a Vice President and by the Secretary or an Assistant Secretary. All certificates for shares shall be consecutively numbered or otherwise identified. The name and address of the person to whom the shares represented thereby are issued, with the number of shares and date of issue, shall be entered on the stock transfer books of the corporation. All certificates surrendered to the corporation for transfer shall be canceled and no new certificate shall be issued until the former certificate for a like number of shares shall have been surrendered and canceled, except as provided in Section 5.05.

5.02. Signature by Former Officers. If an officer or assistant officer, who has signed or whose facsimile signature has been placed upon any



certificate for shares, has ceased to be such officer or assistant officer before such certificate is issued, the certificate may be issued by the corporation with the same effect as if that person were still an officer or assistant officer at the date of its issue.

5.03. Transfer of Shares. Prior to due presentment of a certificate for shares for registration of transfer, and unless the corporation has established a procedure by which a beneficial owner of shares held by a nominee is to be recognized by the corporation as the shareholder, the corporation may treat the registered owner of such shares as the person exclusively entitled to vote, to receive notifications and otherwise to have and exercise all the rights and power of an owner. The corporation may require reasonable assurance that all transfer endorsements are genuine and effective and in compliance with all regulations prescribed by or under the authority of the Board of Directors.

5.04. Restrictions on Transfer. The face or reverse side of each certificate representing shares shall bear a conspicuous notation of any restriction upon the transfer of such shares imposed by the corporation or imposed by any agreement of which the corporation has written notice.

5.05. Lost, Destroyed or Stolen Certificates. Where the owner claims that his or her certificate for shares has been lost, destroyed or wrongfully taken, a new certificate shall be issued in place thereof if the owner (a) so requests before the corporation has notice that such shares have been acquired by a bona fide purchaser, and (b) if required by the corporation, files with the corporation a sufficient indemnity bond, and (c) satisfies such other reasonable requirements as may be prescribed by or under the authority of the Board of Directors.

5.06. Consideration for Shares. The shares of the corporation may be issued for such consideration as shall be fixed from time to time and determined to be adequate by the Board of Directors, provided that any shares having a par value shall not be issued for a consideration less than the par value thereof. The consideration may consist of any tangible or intan-

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gible property or benefit to the corporation, including cash, promissory notes, services performed, contracts for services to be performed, or other securities of the corporation. When the corporation receives the consideration for which the Board of Directors authorized the issuance of shares, such shares shall be deemed to be fully paid and nonassessable by the corporation.

5.07. Stock Regulations. The Board of Directors shall have the power and authority to make all such rules and regulations not inconsistent with the statutes of the State of Wisconsin as it may deem expedient concerning the issue, transfer and registration of certificates representing shares of the corporation, including the appointment or designation of one or more stock transfer agents and one or more registrars.

#### ARTICLE VI. WAIVER OF NOTICE

6.01. Shareholder Written Waiver. A shareholder may waive any notice required by the Wisconsin Business Corporation Law, the Articles of Incorporation or these Bylaws before or after the date and time stated in the notice. The waiver shall be in writing and signed by the shareholder entitled to the notice, shall contain the same information that would have been required in the notice under the Wisconsin Business Corporation Law except that the time and place of meeting need not be stated, and shall be delivered to the corporation for inclusion in the corporate records.

6.02. Shareholder Waiver by Attendance. A shareholder's attendance at a meeting, in person or by proxy, waives objection to both of the following:

(a) Lack of notice or defective notice of the meeting, unless the shareholder at the beginning of the meeting or promptly upon arrival objects to holding the meeting or transacting business at the meeting.

(b) Consideration of a particular matter at the meeting that is not within the purpose described in the meeting notice, unless the shareholder objects to considering the matter when it is presented.

6.03. Director Written Waiver. A director may waive any notice required by the Wisconsin Business Corporation Law, the Articles of Incorporation or the Bylaws before or after the date and time stated in the notice. The waiver shall be in writing, signed by the director entitled to the notice and retained by the corporation.

6.04. Director Waiver by Attendance. A director's attendance at or participation in a meeting of the Board of Directors or any committee thereof

waives any required notice to him

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or her of the meeting unless the director at the beginning of the meeting or promptly upon his or her arrival objects to holding the meeting or transacting business at the meeting and does not thereafter vote for or assent to action taken at the meeting.

#### ARTICLE VII. ACTION WITHOUT MEETINGS

7.01. Shareholder Action Without Meeting. Action required or permitted by the Wisconsin Business Corporation Law to be taken at a shareholders' meeting may be taken without a meeting by all shareholders entitled to vote on the action. The action must be evidenced by one or more written consents describing the action taken, signed by the shareholders consenting thereto and delivered to the corporation for inclusion in its corporate records. Action taken hereunder is effective when the consent is delivered to the corporation, unless the consent specifies a different effective date. A consent hereunder has the effect of a meeting vote and may be described as such in any document.

7.02. Director Action Without Meeting. Unless the Articles of Incorporation provide otherwise, action required or permitted by the Wisconsin Business Corporation Law to be taken at a Board of Directors meeting or committee meeting may be taken without a meeting if the action is taken by all members of the Board or committee. The action shall be evidenced by one or more written consents describing the action taken, signed by each director and retained by the corporation. Action taken hereunder is effective when the last director signs the consent, unless the consent specifies a different effective date. A consent signed hereunder has the effect of a unanimous vote taken at a meeting at which all directors or committee members were present, and may be described as such in any document.

#### ARTICLE VIII. INDEMNIFICATION

8.01. Indemnification for Successful Defense. Within twenty (20) days after receipt of a written request pursuant to Section 8.03, the corporation shall indemnify a director or officer, to the extent he or she has been successful on the merits or otherwise in the defense of a proceeding, for all reasonable expenses incurred in the proceeding if the director or officer was a party because he or she is a director or officer of the corporation.

8.02. Other Indemnification.

(a) In cases not included under Section 8.01, the corporation shall indemnify a director or officer against all

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liabilities and expenses incurred by the director or officer in a proceeding to which the director or officer was a party because he or she is a director or officer of the corporation, unless liability was incurred because the director or officer breached or failed to perform a duty he or she owes to the corporation and the breach or failure to perform constitutes any of the following:

(1) A willful failure to deal fairly with the corporation or its shareholders in connection with a matter in which the director or officer has a material conflict of interest.

(2) A violation of criminal law, unless the director or officer had reasonable cause to believe that his or her conduct was lawful or no reasonable cause to believe that his or her conduct was unlawful.

(3) A transaction from which the director or officer derived an improper personal profit.

(4) Willful misconduct.

(b) Determination of whether indemnification is required under this Section shall be made pursuant to Section 8.05.

(c) The termination of a proceeding by judgment, order, settlement or conviction, or upon a plea of no contest or an equivalent plea, does not, by itself, create a presumption that indemnification of the director or officer is not required under this Section.

8.03. Written Request. A director or officer who seeks indemnification under Sections 8.01 or 8.02 shall make a written request to the corporation.

8.04. Nonduplication. The corporation shall not indemnify a director or officer under Sections 8.01 or 8.02 if the director or officer has previously received indemnification or allowance of expenses from any person, including the corporation, in connection with the same proceeding. However, the director or officer has no duty to look to any other person for indemnification.

8.05. Determination of Right to Indemnification.

(a) Unless otherwise provided by the Articles of Incorporation or by written agreement between the director or officer and the corporation, the director or officer seeking indemnification under Section 8.02 shall select one of the following means for determining his or her right to indemnification:

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(1) By a majority vote of a quorum of the Board of Directors consisting of directors not at the time parties to the same or related proceedings. If a quorum of disinterested directors cannot be obtained, by majority vote of a committee duly appointed by the Board of Directors and consisting solely of two (2) or more directors who are not at the time parties to the same or related proceedings. Directors who are parties to the same or related proceedings may participate in the designation of members of the committee.

(2) By independent legal counsel selected by a quorum of the Board of Directors or its committee in the manner prescribed in sub. (1) or, if unable to obtain such a quorum or committee, by a majority vote of the full Board of Directors, including directors who are parties to the same or related proceedings.

(3) By a panel of three (3) arbitrators consisting of one arbitrator selected by those directors entitled under sub. (2) to select independent legal counsel, one arbitrator selected by the director or officer seeking indemnification and one arbitrator selected by the two (2) arbitrators previously selected.

(4) By an affirmative vote of shares represented at a meeting of shareholders at which a quorum of the voting group entitled to vote thereon is present. Shares owned by, or voted under the control of, persons who are at the time parties to the same or related proceedings, whether as plaintiffs or defendants or in any other capacity, may not be voted in making the determination.

(5) By a court under Section 8.08.

(6) By any other method provided for in any additional right to indemnification permitted under Section 8.07.

(b) In any determination under (a), the burden of proof is on the corporation to prove by clear and convincing evidence that indemnification under Section 8.02 should not be allowed.

(c) A written determination as to a director's or officer's indemnification under Section 8.02 shall be submitted to both the corporation and the director or officer within 60 days of the selection made under (a).

(d) If it is determined that indemnification is required under Section 8.02, the corporation shall pay all liabilities and expenses not prohibited by Section 8.04 within ten (10) days after receipt of the written determination under (c). The corporation shall also pay all expenses incurred by the director or officer in the determination process under (a).

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8.06. Advance of Expenses. Within ten (10) days after receipt of a written request by a director or officer who is a party to a proceeding, the corporation shall pay or reimburse his or her reasonable expenses as incurred if the director or officer provides the corporation with all of the following:

(a) A written affirmation of his or her good faith belief that he or she has not breached or failed to perform his or her duties to the corporation.

(b) A written undertaking, executed personally or on his or her

behalf, to repay the allowance to the extent that it is ultimately determined under Section 8.05 that indemnification under Section 8.02 is not required and that indemnification is not ordered by a court under Section 8.08(b)(2). The undertaking under this Section 8.06(b) shall be an unlimited general obligation of the director or officer and may be accepted without reference to his or her ability to repay the allowance. The undertaking may be secured or unsecured.

8.07. Nonexclusivity.

(a) Except as provided in Section 8.07(b), Sections 8.01, 8.02 and 8.06 do not preclude any additional right to indemnification or allowance of expenses that a director or officer may have under any of the following:

(1) The Articles of Incorporation.

(2) A written agreement between the director or officer and the corporation.

(3) A resolution of the Board of Directors.

(4) A resolution, after notice, adopted by a majority vote of all of the corporation's voting shares then issued and outstanding.

(b) Regardless of the existence of an additional right under Section 8.07(a), the corporation shall not indemnify a director or officer, or permit a director or officer to retain any allowance of expenses unless it is determined by or on behalf of the corporation that the director or officer did not breach or fail to perform a duty he or she owes to the corporation which constitutes conduct under Section 8.02(a)(1), (2), (3) or (4). A director or officer who is a party to the same or related proceeding for which indemnification or an allowance of expenses is sought may not participate in a determination under this Section 8.07(b).

(c) Sections 8.01 to 8.14 do not affect the corporation's power to pay or reimburse expenses incurred by a director or officer in either of the following circumstances:

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(1) As a witness in a proceeding to which he or she is not a party.

(2) As a plaintiff or petitioner in a proceeding because he or she is or was an employee, agent, director or officer of the corporation.

8.08. Court-Ordered Indemnification.

(a) Except as provided otherwise by written agreement between the director or officer and the corporation, a director or officer who is a party to a proceeding may apply for indemnification to the court conducting the proceeding or to another court of competent jurisdiction. Application shall be made for an initial determination by the court under Section 8.05(a)(5) or for review by the court of an adverse determination under Section 8.05(a)(1), (2), (3), (4) or (6). After receipt of an application, the court shall give any notice it considers necessary.

(b) The court shall order indemnification if it determines any of the following:

(1) That the director or officer is entitled to indemnification under Sections 8.01 or 8.02.

(2) That the director or officer is fairly and reasonably entitled to indemnification in view of all the relevant circumstances, regardless of whether indemnification is required under Section 8.02.

(c) If the court determines under Section 8.08(b) that the director or officer is entitled to indemnification, the corporation shall pay the director's or officer's expenses incurred to obtain the court-ordered indemnification.

8.09. Indemnification and Allowance of Expenses of Employees and Agents. The corporation shall indemnify an employee of the corporation who is not a director or officer of the corporation, to the extent that he or she has been successful on the merits or otherwise in defense of a proceeding, for all reasonable expenses incurred in the proceeding if the employee was a party because he or she was an employee of the corporation. In addition, the corporation may indemnify and allow reasonable expenses of an employee or agent who is not a director or officer of the corporation to the extent provided by the Articles of Incorporation or these Bylaws, by general or specific action of the Board of Directors or by contract.

8.10. Insurance. The corporation may purchase and maintain insurance

on behalf of an individual who is an employee, agent, director or officer of the corporation against liability asserted against or incurred by the individual in his or her capacity as an employee, agent, director or officer, regardless

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of whether the corporation is required or authorized to indemnify or allow expenses to the individual against the same liability under Sections 8.01, 8.02, 8.06, 8.07 and 8.09.

8.11. Securities Law Claims.

(a) Pursuant to the public policy of the State of Wisconsin, the corporation shall provide indemnification and allowance of expenses and may insure for any liability incurred in connection with a proceeding involving securities regulation described under Section 8.11(b) to the extent required or permitted under Sections 8.01 to 8.10.

(b) Sections 8.01 to 8.10 apply, to the extent applicable to any other proceeding, to any proceeding involving a federal or state statute, rule or regulation regulating the offer, sale or purchase of securities, securities brokers or dealers, or investment companies or investment advisers.

8.12. Liberal Construction. In order for the corporation to obtain and retain qualified directors, officers and employees, the foregoing provisions shall be liberally administered in order to afford maximum indemnification of directors, officers and, where Section 8.09 of these Bylaws applies, employees. The indemnification above provided for shall be granted in all applicable cases unless to do so would clearly contravene law, controlling precedent or public policy.

8.13. Definitions Applicable to this Article. For purposes of this Article:

(a) "Affiliate" shall include, without limitation, any corporation, partnership, joint venture, employee benefit plan, trust or other enterprise that directly or indirectly through one or more intermediaries, controls or is controlled by, or is under common control with, the corporation.

(b) "Corporation" means this corporation and any domestic or foreign predecessor of this corporation where the predecessor corporation's existence ceased upon the consummation of a merger or other transaction.

(c) "Director or officer" means any of the following:

(1) An individual who is or was a director or officer of this corporation.

(2) An individual who, while a director or officer of this corporation, is or was serving at the corporation's request as a director, officer, partner, trustee, member of any governing or decision-making committee, employee or agent of another corporation or foreign corporation, partnership, joint venture, trust or other enterprise.

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(3) An individual who, while a director or officer of this corporation, is or was serving an employee benefit plan because his or her duties to the corporation also impose duties on, or otherwise involve services by, the person to the plan or to participants in or beneficiaries of the plan.

(4) Unless the context requires otherwise, the estate or personal representative of a director or officer.

For purposes of this Article, it shall be conclusively presumed that any director or officer serving as a director, officer, partner, trustee, member of any governing or decision-making committee, employee or agent of an affiliate shall be so serving at the request of the corporation.

(d) "Expenses" include fees, costs, charges, disbursements, attorney fees and other expenses incurred in connection with a proceeding.

(e) "Liability" includes the obligation to pay a judgment, settlement, penalty, assessment, forfeiture or fine, including an excise tax assessed with respect to an employee benefit plan, and reasonable expenses.

(f) "Party" includes an individual who was or is, or who is threatened to be made, a named defendant or respondent in a proceeding.

(g) "Proceeding" means any threatened, pending or completed

civil, criminal, administrative or investigative action, suit, arbitration or other proceeding, whether formal or informal, which involves foreign, federal, state or local law and which is brought by or in the right of the corporation or by any other person.

#### ARTICLE IX. SEAL

The Board of Directors may provide a corporate seal which may be circular in form and have inscribed thereon the name of the corporation and the state of incorporation and the words "Corporate Seal."

#### ARTICLE X. AMENDMENTS

10.01. By Shareholders. These Bylaws may be amended or repealed and new Bylaws may be adopted by the shareholders by the vote provided in Section 2.07 of these Bylaws or as specifically provided in this Section 10.01. If authorized by the Articles of Incorporation, the shareholders may adopt or amend a

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Bylaw that fixes a greater or lower quorum requirement or a greater voting requirement for shareholders or voting classes of shareholders than otherwise is provided in the Wisconsin Business Corporation Law. The adoption or amendment of a Bylaw that adds, changes or deletes a greater or lower quorum requirement or a greater voting requirement for shareholders must meet the same quorum requirement and be adopted by the same vote and voting classes required to take action under the quorum and voting requirement then in effect.

10.02. By Directors. Except as the Articles of Incorporation may otherwise provide, these Bylaws may also be amended or repealed and new Bylaws may be adopted by the Board of Directors by the vote provided in Section 3.08, but (a) no Bylaw adopted by the shareholders shall be amended, repealed or readopted by the Board of Directors if the Bylaw so adopted so provides and (b) a Bylaw adopted or amended by the shareholders that fixes a greater or lower quorum requirement or a greater voting requirement for the Board of Directors than otherwise is provided in the Wisconsin Business Corporation Law may not be amended or repealed by the Board of Directors unless the Bylaw expressly provides that it may be amended or repealed by a specified vote of the Board of Directors. Action by the Board of Directors to adopt or amend a Bylaw that changes the quorum or voting requirement for the Board of Directors must meet the same quorum requirement and be adopted by the same vote required to take action under the quorum and voting requirement then in effect, unless a different voting requirement is specified as provided by the preceding sentence. A Bylaw that fixes a greater or lower quorum requirement or a greater voting requirement for shareholders or voting classes of shareholders than otherwise is provided in the Wisconsin Business Corporation Law may not be adopted, amended or repealed by the Board of Directors.

10.03. Implied Amendments. Any action taken or authorized by the shareholders or by the Board of Directors, which would be inconsistent with the Bylaws then in effect but is taken or authorized by a vote that would be sufficient to amend the Bylaws so that the Bylaws would be consistent with such action, shall be given the same effect as though the Bylaws had been temporarily amended or suspended so far, but only so far, as is necessary to permit the specific action so taken or authorized.

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FIRST AMENDMENT AGREEMENT

THIS FIRST AMENDMENT AGREEMENT (this "Amendment"), dated as of August 29, 1996, is among APPLIED POWER INC. (the "Company"), Applied Power Europe S.A. (f/k/a Applied Power Finance S.A.) ("APSA"), the Banks listed on the signature pages hereto, and Bank of America National Trust and Savings Association as Agent for the Banks;

W I T N E S S E T H :

WHEREAS, the parties hereto are parties to that certain Multi-Currency Credit Agreement dated as of August 22, 1995 (the "Credit Agreement");

WHEREAS, the parties hereto wish to amend the Credit Agreement as hereinafter set forth;

NOW, THEREFORE, the parties hereto, in consideration of the premises and the mutual agreements herein contained, hereby agree as follows:

Section 1. Credit Agreement Definitions. Capitalized terms used herein that are defined in the Credit Agreement shall have the same meaning when used herein unless otherwise defined herein.

Section 2. Amendments to Credit Agreement. Effective on (and subject to the occurrence of) the First Amendment Effective Date (as defined below), the Credit Agreement shall be amended as follows:

2.1 Amendment to Section 1. The definition of "Termination Date" in Section 1 of the Credit Agreement is amended by deleting the date "August 22, 2000" and inserting "August 22, 2001" therefor.

2.2 Schedule 1.1. Schedule 1.1 of the Credit Agreement is deleted in its entirety and Schedule 1.1 to this Amendment is substituted therefore.

2.3 Schedule 2.1. Schedule 2.1 to the Credit Agreement is deleted in its entirety and Schedule 2.1 to this Amendment is substituted therefore.

Section 3. Representation and Warranties. In order to induce the Banks and the Agent to execute and deliver this

Amendment, each Borrower hereby represents and warrants to each Bank and to the Agent that:

(a) No Event of Default or Default has occurred and is continuing or will result from the execution and delivery or effectiveness of this Amendment; and

(b) the warranties of the Borrowers contained in Article V of the Credit Agreement are true and correct as of the date hereof, with the same effect as though made on such date; provided that with respect to clause (a) of Section 5.4 the references to August 31, 1994 therein shall instead be a reference to August 31, 1995 and the references to "May 31, 1995" therein shall instead be a reference to May 31, 1996.

Section 4. Conditions to Effectiveness. The Amendment set forth in Section 2 hereof shall become effective on the date (the "First Amendment Effective Date") when the Agent shall have received all of the following, each in form and substance satisfactory to the Agent:

(a) twelve counterparts of this Amendment executed by all of the parties hereto;

(b) a Bid Note issued by the Company to each Bank substantially in the form of Exhibit A attached hereto;

(c) certified copies of resolutions of the Board of Directors of each Borrower authorizing the execution and delivery by such Borrower of its obligations under the Credit Agreement as amended by this Amendment;

(d) a Certificate of the Secretary or Assistant Secretary of each Borrower certifying the names of the officer or officers authorized to sign this Amendment,

together with a sample of the true signature of each such officer;

(e) an opinion of Quarles & Brady in substantially the form

delivered in connection with the initial closing of the Credit Agreement;

(f) an opinion of Salans Hertzfeld & Heilbronn in substantially the form delivered in connection with the initial closing of the Credit Agreement;

(g) a certificate of an authorized officer of the Borrowers as to the satisfaction of the conditions set forth in Section 3 of this Amendment; and

(h) such other documents as the Agent or any Bank may reasonably request.

Section 5. Reaffirmation of Loan Documents. From and after the date hereof, each reference that appears in any other Loan Document to the Credit Agreement shall be deemed to be a reference to the Credit Agreement as amended hereby. As amended hereby, the Credit Agreement, including, without limitation, the obligations of each Borrower under Article IX thereof, is hereby reaffirmed, approved and confirmed in every respect and shall remain in full force and effect.

Section 6. Counterparts; Effectiveness. This Amendment may be executed by the parties hereto in any number of counterparts and by the different parties on separate counterparts and each such counterpart shall be deemed to be an original, but all such counterparts shall together constitute but one and the same agreement.

Section 7. Governing Law; Entire Agreement. This Amendment shall be deemed a contract made under and governed by the laws of the State of Illinois, without giving effect to conflicts of laws principles. This agreement constitutes the entire understanding among the parties hereto with respect to the subject matter hereof and supersedes any prior agreements with respect thereto.

Section 8. Loan Document. This Amendment is a Loan Document.

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IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed by their respective officers thereunto duly authorized as of the day and year first above written.

APPLIED POWER INC.

By: /s/ Douglas R. Dorszynski  
-----

Title: Vice President  
-----

APPLIED POWER EUROPE S.A.

By: /s/ Douglas R. Dorszynski  
-----

Title: Authorized Agent  
-----

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BANK OF AMERICA NATIONAL TRUST  
AND SAVINGS ASSOCIATION, as Agent

By: /s/ M. H. Claggett  
-----

Title: Vice President  
-----

BANK OF AMERICA ILLINOIS

By: /s/ M. H. Claggett  
-----

Title: Vice President  
-----



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HARRIS TRUST AND SAVINGS BANK

By: /s/ Andrew K. Peterson

-----  
Title: Vice President  
-----

-6-

PNC BANK, NATIONAL ASSOCIATION

By: /s/ Richard T. Jander

-----  
Title: Assistant Vice President  
-----

-7-

SOCIETE GENERALE

By: /s/ Susan Hummel

-----  
Title: Assistant Vice President  
-----

By: /s/ Joseph A. Philbin

-----  
Title: Vice President  
-----

-8-

ABN AMRO BANK N.V.

By: /s/ Thomas M. Toerpe

-----  
Title: Vice President  
-----

By: /s/ Christine E. Holmes

-----  
Title: Vice President  
-----

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THE FIRST NATIONAL BANK OF BOSTON

By: /s/ Lisa L. Marshall

-----  
Title: Managing Director  
-----

-10-

BANK ONE, MILWAUKEE, N.A.

By: /s/ Ronald J. Carey

-----  
Title: Vice President  
-----

-11-

THE SANWA BANK, LIMITED,  
CHICAGO BRANCH

By: /s/ Gordon R. Holtby

-----  
Title: Vice President and Manager  
-----

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FIRST AMENDMENT TO  
AMENDED AND RESTATED  
RECEIVABLES PURCHASE AGREEMENT

THIS FIRST AMENDMENT TO AMENDED AND RESTATED RECEIVABLES PURCHASE AGREEMENT, dated as of August 30, 1996 (this "Amendment"), is among APPLIED POWER INC. ("API"), BARRY WRIGHT CORPORATION ("BWC"), WRIGHT LINE INC. ("WLI"), GB ELECTRICAL, INC. ("GB"), CALTERM, INC. ("Calterm"); (API, BWC, WLI, GB AND Cal Term are collectively referred to as "Sellers"); API, as representative of Sellers in such capacity, the "Sellers' Representative", PNC BANK, NATIONAL ASSOCIATION, ("PNC"), THE SANWA BANK, LIMITED ("Sanwa"), SOCIETE GENERALE ("SG"; PNC, Sanwa and SG are collectively referred to as "Purchasers" and PNC, as agent for the Purchasers (in such capacity, the "Agent").

BACKGROUND

1. Sellers, Sellers' Representative, Purchasers and the Agent are parties to that certain Amended and Restated Receivables Purchase Agreement, dated as of August 30, 1995 (the "Receivables Purchase Agreement").

2. The parties hereto desire to extend the Commitment Termination Date (as defined below) pursuant hereto.

NOW, THEREFORE, in consideration of the foregoing, and the mutual agreements herein contained, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

SECTION 1. Definitions. Capitalized terms used in this Amendment and not otherwise defined herein shall have the meanings assigned thereto in the Receivables Purchase Agreement.

SECTION 2. Commitment Termination Date. Section 1.02 of the Receivables Purchase Agreement is hereby amended by deleting the date "August 30, 1998" where it appears in clause (i) thereof and substituting therefor the date "August 30, 1999".

SECTION 3. Representations and Warranties. Each Seller hereby represents and warrants that (i) the representations and warranties set forth in Section 6.01 are correct on and as of the date hereof, after giving effect hereto, as though made on and as

of such date, and shall be deemed to have been made on such date and (ii) no Termination Event or Unmatured Termination Event has occurred and is continuing, or would result from this Amendment.

SECTION 4. Miscellaneous. The Receivables Purchase Agreement, as amended hereby, remains in full force and effect. Any reference to the Receivables Purchase Agreement from and

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after the date hereof shall be deemed to refer to the Receivables Purchase Agreement as amended hereby. This Amendment may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which when taken together shall constitute one and the same agreement. This Amendment shall be governed by, and construed in accordance with, the internal laws of the State of Illinois. Sellers, jointly and severally, agree to pay on demand all costs and expenses, including the reasonable fees and expenses of counsel, incurred in connection with the preparation, execution and delivery of this Amendment.

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IN WITNESS WHEREOF, the parties have caused this Amendment to be executed by their respective officers thereunto duly authorized, as of the date first above written.

APPLIED POWER INC.,

as a Seller

By:/s/Douglas R. Dorszynski  
-----  
Name Printed:Douglas R. Dorszynski  
-----  
Title:Vice President  
-----

BARRY WRIGHT CORPORATION,  
as a Seller

By:/s/Douglas R. Dorszynski  
-----  
Name Printed:Douglas R. Dorszynski  
-----  
Title:Vice President  
-----

GB ELECTRICAL, INC.,  
as a Seller

By:/s/Douglas R. Dorszynski  
-----  
Name Printed:Douglas R. Dorszynski  
-----  
Title:Vice President  
-----

WRIGHT LINE INC.,  
as a Seller

By:/s/Douglas R. Dorszynski  
-----  
Name Printed:Douglas R. Dorszynski  
-----  
Title:Vice President  
-----

CALTERM, INC.,  
as a Seller

By:/s/Douglas R. Dorszynski  
-----  
Name Printed:Douglas R. Dorszynski  
-----  
Title:Vice President  
-----

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APPLIED POWER INC.  
as Sellers' Representative

By:/s/Douglas R. Dorszynski  
-----  
Name Printed:Douglas R. Dorszynski  
-----  
Title:Vice President  
-----

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PNC BANK, NATIONAL ASSOCIATION,  
as a Purchaser

By:/s/ Richard T. Jander  
-----  
Name Printed:Richard T. Jander  
-----  
Title:Assistant Vice President  
-----

THE SANWA BANK, LIMITED,  
as a Purchaser

By:/s/ Seiji Daito  
-----  
Name Printed:Seiji Daito  
-----  
Title:Vice President and Manager  
-----

SOCIETE GENERALE,  
as a Purchaser

By:/s/ Susan Hummel  
-----  
Name Printed:Susan Hummel  
-----  
Title:Assistant Vice President  
-----

By:/s/ Joseph A. Philbin  
-----  
Name Printed:Joseph A. Philbin  
-----  
Title:Vice President  
-----

HARRIS TRUST & SAVINGS BANK

By:/s/ Andrew K. Peterson  
-----  
Name Printed:Andrew K. Peterson  
-----  
Title:Vice President  
-----

PNC BANK, NATIONAL ASSOCIATION,  
as Agent

By:/s/ Richard T. Jander  
-----  
Name Printed:Richard T. Jander  
-----  
Title:Assistant Vice President  
-----

Executive Staff Measurements:

The fiscal 1997 bonus plan for executive staff will consist of the following:

- a) 50% API Return on Net Assets (RONA)
- b) 50% API Earnings Per Share (EPS)

Supporting Definitions:

Average Net Assets or Average Quarterly Net Assets = Total assets - current liabilities (debt excluded from current liabilities).

Earnings Per Share = Net Income / Average Number of Common Shares Outstanding during the period.

Return on Net Assets = After Tax Income (excluding interest) / Average Net Assets. (RONA is a financial indicator of the ability of the Company to generate profits utilizing available assets in an efficient manner).

Bonus Measurement:

<TABLE>  
<CAPTION>

	0%	100% (Target)	200%
<S>	<C>	<C>	<C>
50% API Return on Net Assets	13.50%	15.00%	17.00%
50% API Earnings Per Share	\$ 2.40	\$ 2.80	\$ 3.00

<CAPTION>

Name	Functional Area	Proposed Bonus Payout @ 100%
<S>	<C>	<C>
Sim	CEO	\$310,000
Arzbaecher	CFO	\$100,000
Dorszynski	Tax & Treasury	\$ 35,000
Knutson	Technology	\$ 29,000

</TABLE>

ENGINEERED SOLUTIONS MULTI-BUSINESS UNITS F'97 BONUS PLAN MEASUREMENTS

Multi-Business Unit Leader Measurements:

The fiscal 1997 bonus plan for Engineered Solutions multi-business unit leader will consist of the following:

- a) 80% Engineered Solutions CMM (1) (2)
- b) 20% API Financial Results (RONA and EPS)

<TABLE>  
<CAPTION>

	0%	100% (Target)	200%
<S>	<C>	<C>	<C>
CMM	\$8.1 MM	\$9.25MM	\$11.2 MM
API Results	0	100%	200%
Payout	\$0	\$110,000	\$220,000

</TABLE>

The business unit financial targets for fiscal 1997 have been established based upon the business plans submitted by each business unit, current year Corporate contribution requirements for profitability, and agreed upon long-term investments.

- (1) CMM = Operating Profit - (20% x Monthly Net Assets)
- (2) Targeted bonus plan levels for CMM may be modified during the plan year due to mergers and acquisitions.

DISTRIBUTED PRODUCTS MULTI-BUSINESS UNIT LEADERS F'97 BONUS PLAN MEASUREMENTS

F'97 Bonus Measurements:

- a) 50% Individual Unit CMM (1) (2)
- b) 30% Distributed Products CMM (1) (2)
- c) 20% Applied Power Financial Results (RONA and EPS)

Boel

<TABLE>  
<CAPTION>

	0%	100%	200%
		(Target)	
<S>	<C>	<C>	<C>
Unit CMM (3)	\$15.5 MM	\$18.0 MM	\$22.0 MM
DP CMM (3)	\$17.5 MM	\$22.5 MM	\$28.5 MM
API Results	0	100%	200%
Payout	\$0	\$100,000	\$200,000

Lecher  
<CAPTION>

	0%	100%	200%
		(Target)	
<S>	<C>	<C>	<C>
Unit CMM	\$ 2.0 MM	\$ 4.5 MM	\$ 6.5 MM
DP CMM (3)	\$17.5 MM	\$22.5 MM	\$28.5 MM
API Results	0	100%	200%
Payout	\$0	\$95,000	\$190,000

</TABLE>

- (1) CMM = Internal Operating Profit - (20% x Monthly Net Assets)
- (2) Excludes carrying charge related to Asia Pacific/Japan.
- (3) Targeted bonus plan levels for CMM may be modified during the plan year due to mergers and acquisitions.

SINGLE BUSINESS UNIT LEADER F'97 BONUS PLAN MEASUREMENTS

Bonus Measurements for Wright Line:  
100% Business Unit Operating Profit

1997 Target Objective - Wright Line \$29.0 MM Operating Profit (1)  
(92% improvement over F'96 includes Everest acquisition)

Measures / Payout Scale

<TABLE>  
<CAPTION>

	0%	100%	200%	300%
		(Target)		
<S>	<C>	<C>	<C>	<C>
Operating Profit	\$23.0 MM	\$29.0 MM	\$33.0 MM	\$36.0 MM
Payout	\$0	\$100,000	\$200,000	\$300,000

</TABLE>

- (1) Based on Wright Line's internal operating profit (excludes acquisition write-up amortization).

RESOLUTIONS ADOPTED BY THE BOARD OF DIRECTORS OF  
APPLIED POWER INC. ON OCTOBER 31, 1996 AMENDING THE  
APPLIED POWER INC. 1989 OUTSIDE DIRECTORS' STOCK OPTION PLAN

WHEREAS, Applied Power Inc. has previously adopted the Applied Power Inc. 1989 Outside Directors' Stock Option Plan (the "Directors' Plan"); and

WHEREAS, Section 5(a) of the Directors' Plan states that each outside director shall automatically be granted an option to purchase 1,000 shares of Applied Power Inc. common stock at the Board of Directors meeting immediately following the Company's annual shareholders meeting; and

WHEREAS, the Compensation Committee of the Board has recommended that the number of shares covered by the annual grant be increased from 1,000 shares to 1,500 shares; and

WHEREAS, the Board agrees with the Compensation Committee's recommendation to increase the number of shares covered by the annual grant from 1,000 shares to 1,500 shares.

NOW, THEREFORE, BE IT RESOLVED that Section 5(a) of the Applied Power Inc. 1989 Outside Directors' Stock Option Plan is hereby amended to read as follows:

"Each year, upon the first meeting of the Company's Board of Directors following the Company's annual meeting of shareholders, each person then serving the Company as an outside director at that time shall automatically be granted an option to purchase one thousand five hundred (1,500) shares, subject to adjustment under paragraph 15 hereof."

FURTHER RESOLVED, that the appropriate officers of the Company are authorized to take such actions as may be necessary or desirable to implement this resolution.



APPLIED POWER INC.  
EXECUTIVE DEFERRED COMPENSATION PLAN

APPLIED POWER INC.  
EXECUTIVE DEFERRED COMPENSATION PLAN

APPLIED POWER INC., a Wisconsin corporation, hereby establishes the Applied Power Inc. Executive Deferred Compensation Plan, to become effective as of January 1, 1997, for the benefit of a select group of management and highly compensated employees of the Company and its participating Affiliates. The Plan is intended to provide such employees with certain deferred compensation benefits. The Plan is an unfunded deferred compensation plan that is intended to qualify for the exemptions provided in sections 201, 301, and 401 of ERISA.

SECTION 1

DEFINITIONS

The following words and phrases shall have the following meanings unless a different meaning is plainly required by the context:

1.1 "Administrator" shall mean the Company, as provided in the Section 7.1.

1.2 "Affiliate" shall mean a corporation, trade or business which is, together with any Employer, a member of a controlled group of corporations or an affiliated service group or under common control (within the meaning of section 414(b), (c) or (m) of the Code), but only for the period during which such other entity is so affiliated with any Employer.

1.3 "Beneficiary" shall mean the person or persons entitled to receive benefits under the Plan upon the death of a Participant, as provided in Section 5.7.

1.4 "Board of Directors" shall mean the Board of Directors of the Company, as constituted from time to time.

1.5 "Change of Control" means the first to occur of the following (a) the Company sells, exchanges, or otherwise transfers all or substantially all of its business or operating assets in a transaction or series of related transactions, other than sales, exchanges, or transfers to an Affiliate or Affiliates; (b) the Company merges, consolidates or otherwise combines with or into any other corporation or corporations, and

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the Company is not the surviving entity, other than a merger, consolidation, or other combination with an Affiliate or Affiliates; or (c) any person, corporation, or other entity or group (the "acquiror") excluding Affiliates, is or becomes the "beneficial owner" (as defined in Rule 13d-3 promulgated under the Securities Exchange Act of 1934, as amended), directly or indirectly, of more than fifty percent (50%) of the outstanding shares of the class of stock of the Company entitled to elect more than one-half of the members of the Board of Directors of the Company; provided, however, that in no event shall a Change of Control be deemed to have occurred if such acquiror is comprised of the Brumder Family or the Sim Family, or any combination thereof. For this purpose the Brumder Family includes Philip G. Brumder, Barbara B. Buzard, Dorothy B. Foote, their respective spouses, issue, agent, or nominee, or a trust, custodianship, or other relationship or entity created for the benefit of any such person or persons; and the Sim Family shall include Richard G. Sim, his spouse, issue, agent, or nominee, or a trust, custodianship, or other relationship or entity created for the benefit of any of such person or persons.

1.6 "Code" shall mean the Internal Revenue Code of 1986, as amended. Reference to a specific section of the Code shall include such section, any valid regulation promulgated thereunder, and any comparable provision of any future legislation amending, supplementing or superseding such section.

1.7 "Committee" shall mean the Company's Compensation Committee, as it may be constituted from time to time. The members of the Compensation Committee are appointed by, and serve at the pleasure of, the Board of Directors.

1.8 "Company" shall mean Applied Power Inc., a Wisconsin corporation.

1.9 "Compensation" shall mean the base salary of a Participant and any bonuses paid to him or her under any of the Company's incentive or bonus plans.

1.10 "Compensation Deferrals" shall mean the amounts credited to Participants' Accounts under the Plan pursuant to their deferral elections made in accordance with Section 2.1.

1.11 "Disability" or "Disabled" shall mean the mental or physical inability of a Participant to perform the regularly assigned duties of his or her employment, provided that such inability (a) has continued or is expected to continue for a period of at least 12 months and (b) is evidenced by the certificate of a physician satisfactory to the Committee stating that such inability exists and is likely to be permanent.

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1.12 "Eligible Employee" shall mean an employee who the Committee determines is eligible to participate in the Plan. The Committee may make such determination by individual or employment classification.

1.13 "Employers" shall mean the Company and each of its Affiliates. With respect to an individual Participant, Employer shall mean the Company or its Affiliate that directly employs such Participant.

1.14 "ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended. Reference to a specific section of ERISA shall include such section, any valid regulation promulgated thereunder, and any comparable provision of any future legislation amending, supplementing or superseding such section.

1.15 "Participant" shall mean an Eligible Employee who (a) has become a Participant in the Plan pursuant to Section 2.1 and (b) has not ceased to be a Participant pursuant to Section 2.3.

1.16 "Participant's Account" or "Account" shall mean as to any Participant the separate account maintained on the books of the Employers in order to reflect his or her interest under the Plan.

1.17 "Plan" shall mean the Applied Power Inc. Executive Deferred Compensation Plan, as set forth in this instrument and as hereafter amended from time to time.

1.18 "Plan Year" shall mean the Company's fiscal year; provided that the initial Plan Year shall be the short period January 1, 1997 through August 31, 1997.

## SECTION 2

### PARTICIPATION

2.1 Participation. Each Eligible Employee's decision to become a Participant shall be entirely voluntary.

2.1.1 Election to Defer Compensation Bonuses. Each Eligible Employee who makes an election under this Section 2.1 shall make a separate Compensation Deferral election with respect to the salary portion and the bonus portion of his or her Compensation.

2.1.2 Specific Timing and Method of Election. The Administrator, in its sole discretion, shall determine the manner and deadlines for Participants to make Compensation Deferral elections.

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2.1.3 Election Changes During Plan Year. In accordance with rules established by the Administrator, a Participant may revoke a Compensation Deferral election for the salary portion of his or her Compensation during the Plan Year. However, any revocation shall not be effective with respect to any prior deferrals. A Participant shall not be permitted to change or revoke his or her election for the bonus portion of his or her Compensation during the Plan Year, except as provided in Section 2.2.

2.2 Hardship Suspension of Participation. In the event that a Participant incurs a "financial hardship" (as defined in this Section 2.2), the Administrator, in its sole discretion, may suspend the Participant's Compensation Deferrals for the bonus portion of his or her Compensation. However, an election to make Compensation Deferrals under Section 2.1 shall be irrevocable as to amounts deferred as of the effective date of any suspension

in accordance with this Section 2.2. A "financial hardship" for purposes of the Plan shall mean a severe financial emergency which is caused by a sudden and unexpected accident, illness or other event beyond the control of the Participant which would, if no suspension of deferrals (or accelerated distribution under Section 5.8) were made, result in severe financial burden to the Participant or a member of his or her immediate family. Also, a financial hardship does not exist to the extent that the hardship may be relieved by (a) reimbursement or compensation by insurance, or (b) by liquidation of the Participant's other assets (to the extent such liquidation would not itself cause severe financial hardship).

2.3. Termination of Participation. An Eligible Employee who has become a Participant shall remain a Participant until his or her entire vested Account balance is distributed. However, an Eligible Employee who has become a Participant may or may not be an active Participant making Compensation Deferrals for a particular Plan Year, depending upon whether he or she has elected to make Compensation Deferrals for such Plan Year.

### SECTION 3

#### COMPENSATION DEFERRAL ELECTIONS

3.1 Compensation Deferrals. At the times and in the manner prescribed in Section 2.1, each Eligible Employee may elect to defer portions of his or her Compensation and to have the amounts of such deferrals credited to his or her Account under the Plan on the books of the Employer in accordance with such rules as the Committee may establish. The Administrator may establish rules and regulations regarding compensation deferrals, including minimum deferral requirements.

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3.2 Crediting of Compensation Deferrals. The amounts deferred pursuant to Section 3.1 shall reduce the Participant's Compensation during the Plan Year and shall be credited to the Participant's Account as of the last day of the month in which the amounts (but for the deferral) would have been paid to the Participant. For each Plan Year, the exact dollar amount to be deferred from each Compensation payment shall be determined by the Administrator under such formulae as it shall adopt from time to time.

3.3 Deemed Interest on Accounts. Each Participant's Account shall be credited with deemed interest as of the end of each pay period. The rate for crediting deemed interest as of the end of any pay period shall be based upon the Participant's "Deferral Interest Rate" for that Plan Year. The Participant's Deferral Interest Rate for a given Plan Year shall apply to all amounts then credited to the Participant's Account, without regard to when the amounts (whether attributable to Compensation Deferrals or deemed interest) originally were credited to the Account. A Participant's Deferral Interest Rate for a given Plan Year is the sum of (a) the simple average of the annual rate paid by ten-year U.S. Treasury notes during each September preceding each Plan Year during which the Participant defers income into under the Plan, plus (b) 1.50%. For example, a hypothetical Participant who had been in the Plan for 1996 would have had an interest rate credited to his account of 7.5% (T. note in September, 1995 was 6%, plus 1.5%).

### SECTION 4

#### ACCOUNTING

4.1 Participants' Accounts. For each Plan Year, at the direction of the Administrator, there shall be established and maintained on the books of the Employer, a separate Account for each Participant to which shall be credited all Compensation Deferrals made by the Participant during such Plan Year, and the deemed interest on such Compensation Deferrals.

4.2 Participants Remain Unsecured Creditors. All amounts credited to a Participant's Account under the Plan shall continue for all purposes to be a part of the general assets of the Employer. Each Participant's interest in the Plan shall make him or her only a general, unsecured creditor of the Employer. In the event that an Employer (other than the Company) becomes insolvent and therefore unable to make a payment or payments owed by it under the Plan, the Company shall make such payments; provided, however, that nothing in this sentence shall make any Participant anything other than a general, unsecured creditor of the Company.

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4.3 Accounting Methods. The accounting methods or formulae to be used

under the Plan for the purpose of maintaining the Participants' Accounts, including the calculation and crediting of deemed interest, shall be determined by the Administrator, in its sole discretion. The accounting methods or formulae selected by the Administrator may be revised from time to time.

4.4 Reports. Each Participant shall be furnished with periodic statements of his or her Account, reflecting the status of his or her interest in the Plan, at least annually.

## SECTION 5

### DISTRIBUTIONS

5.1 Normal Time for Distribution. Except as otherwise provided in this Section 5, a Participant's Account shall be distributed within ninety days of the Participant's termination of employment with all Employers and Affiliates, but only to the extent that the payments in any Plan Year are deductible under section 162 of the Code. If, pursuant to the foregoing sentence, any amounts are not paid when originally scheduled, such amounts shall be paid in the immediately following taxable year or years to the extent that such payments would be deductible under section 162 of the Code. (During any such delay in payment, unpaid amounts shall continue to be credited with deemed interest under Section 3.3.) Notwithstanding the foregoing, distribution of a Participant's Account shall be made without regard to the deductibility of the payments under section 162 of the Code if the time for distribution is accelerated pursuant to Section 5.5 or Section 5.6.

5.2 Form of Payment. Each Participant shall indicate on his or her deferral election (made pursuant to Section 3.1) the form of payment for the Compensation Deferrals (and the deemed interest thereon) to be made for the specific Plan Year covered by such deferral election. A Participant may elect (a) a lump sum payment, (b) five annual installment payments, or (c) ten annual installment payments; provided, however, that a Participant who elects to receive annual installments for five or ten years shall receive payment in a lump sum if: (1) the Participant's termination of employment occurs due to his or her death or Disability, or (2) distribution to the Participant is accelerated due to a Change of Control. A Participant's election as to the form of payment shall be irrevocable and shall apply to all amounts credited to the Participant's Account for the Plan

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Year with respect to which the election is made. If the Participant elected to receive five or ten annual installment payments, his or her first installment shall be equal to 1/5th or 1/10th (respectively) of the balance then credited to his or her Account. Each subsequent annual installment shall be paid to the Participant as near as administratively practicable to each anniversary of the first installment payment. The amount of each subsequent installment shall be equal to the balance then credited to the Participant's Account, divided by the number of installments remaining to be made. While a Participant's Account is in installment payout status, the unpaid balance credited to the Participant's Account shall continue to be credited with deemed interest under Section 3.3.

5.3 Short-Term Payout. A Participant may elect, on his or her deferral election for any Plan Year, to receive a short-term payout of the Participant's Compensation Deferrals (and the deemed interest thereon) for that Plan Year. The short-term payout shall be a lump sum payment in cash. Subject to the other terms and conditions of this Plan, the short-term payout shall be paid within 60 days of the earlier of (a) the date selected by the Participant (which must be at least 3 years after the date of the Participant's Compensation Deferral election), or (b) the date the Participant ceases to be an Employee.

5.4 Deferral Elections for Short-Term Payouts. By filing a deferral election with the Committee at least six (6) months prior to the date any short-term payout becomes payable, a Participant may defer payment of all or any portion of a short-term payout or an amount payable pursuant to a prior deferral election for a one-year period (or such longer period as is approved by the Committee); provided that any such deferral election shall be effective only with the consent of the Committee. As it is in the Company's interest to defer payments of compensation, the Committee shall be deemed to consent to a deferral election unless the Committee notifies the Participant in writing, within thirty business days after receipt of the deferral election, that consent is not given.

5.5 Change of Control. If there is a Change of Control, the balance then credited to a Participant's Account shall be distributed to him or her in a lump sum as soon as administratively practicable after the date of the Change of Control.

5.6 Special Rule for Death or Disability. If a Participant dies or becomes Disabled, the balance then credited to his or her Account shall be

distributed to the Participant (or his or her Beneficiary) in a lump sum as soon as administratively practicable after the date of death or Disability.

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5.7 Beneficiary Designations. Each Participant may, pursuant to such procedures as the Administrator may specify, designate one or more Beneficiaries. A Participant may designate different Beneficiaries (or may revoke a prior Beneficiary designation) at any time by delivering a new designation (or revocation of a prior designation) in like manner. Any designation or revocation shall be effective only if it is received by the Administrator. However, when so received, the designation or revocation shall be effective as of the date the notice is executed (whether or not the Participant still is living), but without prejudice to the Administrator on account of any payment made before the change is recorded. The last effective designation received by the Administrator shall supersede all prior designations. If a Participant dies without having effectively designated a Beneficiary, or if no Beneficiary survives the Participant, the Participant's Account shall be payable to his or her surviving spouse, or, if the Participant is not survived by his or her spouse, the Account shall be paid to his or her estate.

5.8 Financial Hardship. In the event that a Participant incurs a "financial hardship" (as defined in Section 2.2), the Administrator, in its sole discretion and notwithstanding any contrary provision of the Plan, may determine that all or part of the Participant's Account shall be paid to him or her immediately; provided, however, that the amount paid to the Participant pursuant to this Section 5.8 shall be limited to the amount reasonably necessary to alleviate the Participant's hardship. Also, payment under this Section 5.8 may not be made to the extent that the hardship may be relieved by suspension of the Participant's Compensation Deferrals in accordance with Section 2.2.

5.9 Payments to Incompetents. If any individual to whom a benefit is payable under the Plan is a minor or legally incompetent, the Committee shall determine whether payment shall be made directly to the individual, any person acting as his or her custodian or legal guardian under the Uniform Transfers to Minors Act, his or her legal representative or a near relative, or directly for his or her support, maintenance or education.

5.10 Undistributable Accounts. Each Participant and (in the event of death) his or her Beneficiary shall keep the Administrator advised of his or her current address. If the Administrator is unable to locate a Participant to whom a Participant's Account is payable under this Section 5, the Participant's Account shall be held in suspense pending location of the Participant, but shall continue to be credited with deemed interest in accordance with Section 3.3. If the Administrator is unable to locate a Beneficiary to whom a Participant's Account is payable under this Section 5 within six (6) months of the Participant's death, the Participant's Account shall be paid to his or her estate.

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5.11 Committee Discretion. Within the specific time periods described in this Section 5, the Committee shall have sole discretion to determine the specific timing of the payment of any Account balance under the Plan. In addition and notwithstanding any contrary provision of the Plan, the Committee, in its sole discretion, may cause the balance credited to a Participant's Account to be paid to him or her in a lump sum at any time following the Participant's termination of employment with all Employers and Affiliates.

## SECTION 6

### PARTICIPANT'S INTEREST IN ACCOUNT

6.1 Compensation Deferral Contributions. Subject to Sections 4.2 (relating to creditor status) and 8.2 (relating to amendment and/or termination of the Plan), a Participant's interest in the balance credited to his or her Account at all times shall be 100% vested and nonforfeitable.

## SECTION 7

### ADMINISTRATION OF THE PLAN

7.1 Plan Administrator. The Company is hereby designated as the administrator of the Plan (within the meaning of section 3(16)(A) of ERISA).

7.2 Committee. The Committee shall have the authority to control and manage the operation and administration of the Plan. Any member of the Committee may resign at any time by notice in writing mailed or delivered to

the Secretary of the Company.

7.3 Actions by Committee. Each decision of a majority of the members of the Committee then in office shall constitute the final and binding act of the Committee. The Committee may act with or without a meeting being called or held and shall keep minutes of all meetings held and a record of all actions taken by written consent.

7.4 Powers of Committee. The Committee shall have all powers and discretion necessary or appropriate to supervise the administration of the Plan and to control its operation in accordance with its terms, including, but not by way of limitation, the following powers:

(a) To interpret and determine the meaning and validity of the provisions of the Plan and to determine any question arising under, or in connection with, the administration, operation or validity of the Plan or any amendment thereto;

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(b) To determine any and all considerations affecting the eligibility of any employee to become a Participant or remain a Participant in the Plan;

(c) To cause one or more separate Accounts to be maintained for each Participant;

(d) To cause Compensation Deferrals and deemed interest to be credited to Participants' Accounts;

(e) To establish and revise an accounting method or formula for the Plan, as provided in Section 4.3;

(f) To determine the manner and form in which any distribution is to be made under the Plan;

(g) To determine the status and rights of Participants and their spouses, Beneficiaries or estates;

(h) To employ such counsel, agents and advisers, and to obtain such legal, clerical and other services, as it may deem necessary or appropriate in carrying out the provisions of the Plan;

(i) To establish, from time to time, rules for the performance of its powers and duties and for the administration of the Plan;

(j) To arrange for annual distribution to each Participant of a statement of benefits accrued under the Plan;

(k) To publish a claims and appeal procedure satisfying the minimum standards of section 503 of ERISA pursuant to which individuals or estates may claim Plan benefits and appeal denials of such claims;

(l) To delegate to any one or more of its members or to any other person, severally or jointly, the authority to perform for and on behalf of the Committee one or more of the functions of the Committee under the Plan; and

(m) To decide all issues and questions regarding Account balances, and the time, form, manner, and amount of distributions to Participants.

7.5 Decisions of Committee. All actions, interpretations, and decisions of the Committee shall be conclusive and binding on all persons, and shall be given the maximum possible deference allowed by law.

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7.6 Administrative Expenses. All expenses incurred in the administration of the Plan by the Committee, or otherwise, including legal fees and expenses, shall be paid and borne by the Employers.

7.7 Eligibility to Participate. No member of the Committee who is also an employee of an Employer shall be excluded from participating in the Plan if otherwise eligible, but he or she shall not be entitled, as a member of the Committee, to act or pass upon any matters pertaining specifically to his or her own Account under the Plan.

7.8 Indemnification. Each of the Employers shall, and hereby does, indemnify and hold harmless the members of the Committee, from and against any and all losses, claims, damages or liabilities (including attorneys' fees and amounts paid, with the approval of the Board of Directors, in settlement of any claim) arising out of or resulting from the implementation of a duty, act or

decision with respect to the Plan, so long as such duty, act or decision does not involve gross negligence or willful misconduct on the part of any such individual.

## SECTION 8

### MODIFICATION OR TERMINATION OF PLAN

8.1 Employers' Obligations Limited. The Employers intend to continue the Plan indefinitely, and to maintain each Participant's Account until it is scheduled to be paid to him or her in accordance with the provisions of the Plan. However, the Plan is voluntary on the part of the Employers, and the Employers do not guarantee to continue the Plan. The Company at any time may, by amendment of the Plan, suspend Compensation Deferrals or may discontinue Compensation Deferrals, with or without cause. Complete discontinuance of all Compensation Deferrals shall be deemed a termination of the Plan.

8.2 Right to Amend or Terminate. The Board of Directors reserves the right to alter, amend or terminate the Plan, or any part thereof, in such manner as it may determine, at any time and for any reason. The Company, in its sole discretion, may seek a private letter ruling from the Internal Revenue Service regarding the tax consequences of the Plan. If such a ruling is sought, the Committee shall have the right to adopt such amendments to the Plan, including retroactive amendments, as the Internal Revenue Service may require as a condition to the issuance of such ruling.

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8.3 Effect of Termination. If the Plan is terminated pursuant to this Section 8, the balances credited to the Accounts of the affected Participants shall be distributed to them at the time and in the manner set forth in Section 5; provided, however, that the Committee, in its sole discretion, may authorize accelerated distribution of Participants' Accounts as of any earlier date.

## SECTION 9

### GENERAL PROVISIONS

9.1 Inalienability. In no event may either a Participant, a former Participant or his or her Beneficiary, spouse or estate sell, transfer, anticipate, assign, hypothecate, or otherwise dispose of any right or interest under the Plan; and such rights and interests shall not at any time be subject to the claims of creditors nor be liable to attachment, execution or other legal process. Accordingly, for example, a Participant's interest in the Plan is not transferable pursuant to a domestic relations order.

9.2 Rights and Duties. Neither the Employers nor the Committee shall be subject to any liability or duty under the Plan except as expressly provided in the Plan, or for any action taken, omitted or suffered in good faith.

9.3 No Enlargement of Employment Rights. Neither the establishment or maintenance of the Plan, the making of any Compensation Deferrals nor any action of any Employer or the Committee, shall be held or construed to confer upon any individual any right to be continued as an employee of the Employer nor, upon dismissal, any right or interest in any specific assets of the Employers other than as provided in the Plan. Each Employer expressly reserves the right to discharge any employee at any time.

9.4 Apportionment of Costs and Duties. All acts required of the Employers under the Plan may be performed by the Company for itself and its Affiliates, and the costs of the Plan may be equitably apportioned by the Committee among the Company and the other Employers. Whenever an Employer is permitted or required under the terms of the Plan to do or perform any act, matter or thing, it shall be done and performed by any officer or employee of the Employer who is thereunto duly authorized by the board of directors of the Employer.

9.5 Compensation Deferrals Not Counted Under Other Employee Benefit Plans. Compensation Deferrals under the Plan will not be considered for purposes of contributions or benefits under any other employee benefit plan sponsored by the Employers.

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9.6 Applicable Law. The provisions of the Plan shall be construed, administered and enforced in accordance with ERISA, and to the extent not preempted by ERISA, with the laws of the State of Wisconsin.

9.7 Severability. If any provision of the Plan is held invalid or unenforceable, its invalidity or unenforceability shall not affect any other

provisions of the Plan, and in lieu of each provision which is held invalid or unenforceable, there shall be added as part of the Plan a provision that shall be as similar in terms to such invalid or unenforceable provision as may be possible and be valid, legal, and enforceable.

9.8 Captions. The captions contained in and the table of contents prefixed to the Plan are inserted only as a matter of convenience and for reference and in no way define, limit, enlarge or describe the scope or intent of the Plan nor in any way shall affect the construction of any provision of the Plan.



APPLIED POWER INC.  
 COMPUTATION OF EARNINGS PER SHARE  
 (DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

EXHIBIT 11  
 (1996 10-K)

<TABLE>  
 <CAPTION>

	Years ended August 31,		
	1996	1995	1994
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PRIMARY			
Average shares outstanding	13,478	13,280	13,057
Net effect of dilutive options based on the treasury stock method using average market price	505	466	232
Total	13,983	13,746	13,289
Net Earnings(Loss):			
Earnings from continuing operations	\$33,729	\$25,005	\$16,896
Discontinued operations	-	-	(348)
Extraordinary loss	-	(4,920)	-
Cumulative effect of accounting change	-	-	-
Net Earnings(Loss)	\$33,729	\$20,085	\$16,548
Primary Earnings(Loss) per share:			
Earnings from continuing operations	\$ 2.41	\$ 1.82	\$ 1.27
Discontinued operations	-	-	(0.03)
Extraordinary loss	-	(0.36)	-
Cumulative effect of accounting change	-	-	-
Net Earnings(Loss)	\$ 2.41	\$ 1.46	\$ 1.25
FULLY DILUTED			
Average shares outstanding	13,478	13,280	13,057
Net effect of dilutive options based on the treasury stock method using the greater of average or year-end market price	505	678	420
Total	13,983	13,958	13,477
Net Earnings(Loss):			
Earnings from continuing operations	\$33,729	\$25,005	\$16,896
Discontinued operations	-	-	(348)
Extraordinary loss	-	(4,920)	-
Cumulative effect of accounting change	-	-	-
Net Earnings(Loss)	\$33,729	\$20,085	\$16,548
Primary Earnings(Loss) per share:			
Earnings from continuing operations	\$ 2.41	\$ 1.79	\$ 1.25
Discontinued operations	-	-	(0.03)
Extraordinary loss	-	(0.35)	-
Cumulative effect of accounting change	-	-	-
Net Earnings(Loss)	\$ 2.41	\$ 1.44	\$ 1.23

</TABLE>

The following table sets forth the name and jurisdiction of incorporation of the Registrant's significant subsidiaries. All subsidiaries are 100% owned except as noted.

EXHIBIT 21  
(1996 10-K)

Name of Subsidiary -----	Jurisdiction of Incorporation -----
UNITED STATES:	
Applied Power Investments II Inc.	Nevada
Barry Wright Corporation	Massachusetts
CalTerm, Inc.	Nevada
CalTerm Taiwan, Inc.	Nevada
GB Electrical, Inc.	Wisconsin
New England Controls, Inc.	Connecticut
Wright Line Inc.	Massachusetts
OUTSIDE THE UNITED STATES:	
AIC (Hong Kong) Ltd. (49%)	Hong Kong
AP International Corporation	Barbados
APITECH Hydraulic GmbH	Germany
Applied Power Asia Pte. Ltd.	Singapore
Applied Power Australia Limited	Australia
Applied Power Canada Ltd.	Ontario, Canada
Applied Power do Brasil Equipamente Ltda.	Brazil
Applied Power Europa B.V.	Netherlands
Applied Power Europe S.A.	France
Applied Power Export Corp.	US Virgin Islands
Applied Power (Far East) Ltd.	Japan
Applied Power Finance B.V.	Netherlands
Applied Power GmbH	Germany
Applied Power Holding GmbH	Germany
Applied Power Hytec Sdn. Bhd.	Malaysia
Applied Power International, S.A.	France
Applied Power International, S.A.	Switzerland
Applied Power Italiana S.p.A.	Italy
Applied Power Japan, Ltd.	Japan
Applied Power Korea Ltd.	South Korea
Applied Power (Mexico) S.A. de C.V.	Mexico
Applied Power Moscow	CIS
Applied Power New Zealand Limited	New Zealand
Barry Controls GmbH	Germany
Barry Controls U.K. Ltd.	United Kingdom
Enerpac Asia Pte. Ltd.	Singapore
Enerpac B.V.	Netherlands
Enerpac Hydraulic Technology (India) Pte. Ltd.	India
Enerpac Ltd.	United Kingdom
Enerpac S.A.	France
Matairco/Hydro-Air, S.A.	France
Norelem S.A.	France
Power-Packer do Brasil Ltd.	Brazil
Power-Packer Espana, S.A.	Spain
Power-Packer Europa B.V.	Netherlands
Shanghai Blackhawk Machinery Co. Ltd.	China

All of the foregoing subsidiaries are included in the consolidated financial statements filed herewith.

We consent to the incorporation by reference in Registration Statements of Applied Power Inc. on Forms S-8 No. 33-18140, No. 33-21250, No. 33-24197, No. 33-38719, No. 33-38720 and No. 33-62658 of our report dated September 26, 1996 appearing in this Annual Report on Form 10-K of Applied Power Inc. for the year ended August 31, 1996

DELOITTE & TOUCHE LLP  
Milwaukee, Wisconsin  
November 15, 1996

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