

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

FORM 10-Q

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

For quarterly period ended September 27, 2003

Commission File Number 1-7724

Snap-on Incorporated  
(Exact name of registrant as specified in its charter)

Delaware 39-0622040  
(State or other jurisdiction of (I.R.S. Employer Identification No.)  
incorporation or organization)

10801 Corporate Drive, Pleasant Prairie, Wisconsin 53158-1603  
(Address of principal executive offices) (zip code)

Registrant's telephone number, including area code: (262) 656-5200

Indicate by check mark whether the registrant (1) has filed all reports required  
to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during  
the preceding 12 months (or for such shorter period that the registrant was  
required to file such reports), and (2) has been subject to such filing  
requirements for the past 90 days. Yes [ X ] No [ ]

Indicate by check mark whether the registrant is an accelerated filer (as  
defined in Rule 12b-2 of the Exchange Act). Yes [ X ] No [ ]

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

Class	Outstanding at October 25, 2003
-----	-----
Common stock, \$1 par value	58,264,700 shares

SNAP-ON INCORPORATED

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## PART I. FINANCIAL INFORMATION

## Item 1: Financial Statements

SNAP-ON INCORPORATED  
CONSOLIDATED STATEMENTS OF EARNINGS  
(Amounts in millions, except per share data)  
(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 27, 2003	September 28, 2002	September 27, 2003	September 28, 2002
Net sales	\$ 525.6	\$ 502.4	\$ 1,633.9	\$ 1,559.6
Cost of goods sold	(303.8)	(274.6)	(920.6)	(844.7)
Gross profit	221.8	227.8	713.3	714.9
Operating expenses	(200.7)	(198.8)	(630.2)	(604.3)
Net finance income	10.0	10.3	31.7	26.4
Operating earnings	31.1	39.3	114.8	137.0
Interest expense	(5.8)	(6.9)	(18.2)	(22.2)
Other income (expense) - net	(2.4)	(2.3)	(6.5)	(5.3)
Earnings before income taxes	22.9	30.1	90.1	109.5
Income taxes	(5.2)	(10.9)	(28.7)	(39.4)
Earnings before cumulative effect of a change in accounting principle	17.7	19.2	61.4	70.1
Cumulative effect of a change in accounting principle, net of tax	-	-	-	2.8
Net earnings	\$ 17.7	\$ 19.2	\$ 61.4	\$ 72.9
Net earnings per share - basic and diluted:				
Earnings before cumulative effect of a change in accounting principle	\$ .30	\$ .33	\$ 1.05	\$ 1.20
Cumulative effect of a change in accounting principle, net of tax	-	-	-	.05
Net earnings per share	\$ .30	\$ .33	\$ 1.05	\$ 1.25
Weighted-average shares outstanding:				
Basic	58.3	58.4	58.2	58.2
Effect of dilutive options	.1	.3	.2	.3
Diluted	58.4	58.7	58.4	58.5
Dividends declared per common share	\$ -	\$ -	\$ .75	\$ .72

See Notes to Consolidated Financial Statements.

SNAP-ON INCORPORATED  
CONSOLIDATED BALANCE SHEETS  
(Amounts in millions, except share data)

	September 27, 2003	December 28, 2002
	(unaudited)	
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 85.4	\$ 18.4
Accounts receivable - net of allowances	561.2	556.2

Inventories		
Finished goods	316.8	337.5
Work in process	47.0	42.0
Raw materials	90.9	86.2
Excess of current cost over LIFO cost	(89.5)	(95.8)
	-----	-----
Total inventory	365.2	369.9
Prepaid expenses and other assets	119.1	106.5
	-----	-----
Total current assets	1,130.9	1,051.0
Property and equipment		
Land	25.6	23.8
Buildings and improvements	216.3	202.9
Machinery and equipment	570.8	541.8
	-----	-----
	812.7	768.5
Accumulated depreciation	(487.2)	(438.3)
	-----	-----
Property and equipment - net	325.5	330.2
Deferred income tax benefits	61.5	60.9
Goodwill	397.5	366.4
Other intangibles - net	68.6	65.7
Other assets	123.9	119.9
	-----	-----
Total assets	\$2,107.9	\$1,994.1
	=====	=====

See Notes to Consolidated Financial Statements.

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SNAP-ON INCORPORATED  
CONSOLIDATED BALANCE SHEETS  
(Amounts in millions, except share data)

	September 27, 2003 ----- (unaudited)	December 28, 2002 -----
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable	\$ 175.4	\$ 170.9
Notes payable and current maturities of long-term debt	31.8	56.4
Accrued benefits	44.1	40.1
Accrued compensation	43.3	44.4
Dealer deposits	48.4	46.1
Deferred subscription revenue	31.8	42.5
Income taxes	35.9	29.8
Other accrued liabilities	147.8	122.2
	-----	-----
Total current liabilities	558.5	552.4
Long-term debt	303.9	304.3
Deferred income taxes	35.4	33.6
Retiree health care benefits	98.4	94.0
Pension liability	139.6	136.6
Other long-term liabilities	44.0	42.8
	-----	-----
Total liabilities	1,179.8	1,163.7
	-----	-----
SHAREHOLDERS' EQUITY		
Preferred stock - authorized 15,000,000 shares of \$1 par value; none outstanding	-	-
Common stock - authorized 250,000,000 shares of \$1 par value; issued 66,942,777 and 66,897,506 shares	66.9	66.9

Additional paid-in capital	72.0	72.9
Retained earnings	1,081.9	1,064.2
Accumulated other comprehensive income (loss)	(43.6)	(123.8)
Grantor stock trust at fair market value - 5,075,680 and 5,321,977 shares	(138.8)	(147.5)
Treasury stock at cost - 3,624,764 and 3,326,462 shares	(110.3)	(102.3)
	-----	-----
Total shareholders' equity	928.1	830.4
	-----	-----
Total liabilities and shareholders' equity	\$2,107.9	\$1,994.1
	=====	=====

See Notes to Consolidated Financial Statements.

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SNAP-ON INCORPORATED  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Amounts in millions)  
(Unaudited)

	Nine Months Ended	
	September 27, 2003	September 28, 2002
	-----	-----
OPERATING ACTIVITIES		
Net earnings	\$ 61.4	\$ 72.9
Adjustments to reconcile net earnings to net cash provided (used) by operating activities:		
Cumulative effect of a change in accounting principle (net of tax) for goodwill	-	(2.8)
Depreciation	41.9	37.8
Amortization of intangibles	1.6	1.3
Deferred income tax provision (benefit)	(5.2)	26.3
Gain on sale of assets	-	(.5)
Loss (gain) on mark to market for cash flow hedges	.8	(1.6)
Changes in operating assets and liabilities, net of effects of acquisitions:		
(Increase) decrease in receivables	27.7	40.6
(Increase) decrease in inventories	29.5	(19.0)
(Increase) decrease in prepaid and other assets	(23.0)	(9.6)
Increase (decrease) in accounts payable	(2.9)	40.4
Increase (decrease) in accruals and other liabilities	8.2	(60.0)
	-----	-----
Net cash provided by operating activities	140.0	125.8
INVESTING ACTIVITIES		
Capital expenditures	(18.7)	(37.3)
Acquisitions of businesses - net of cash acquired	.1	(.8)
Disposal of property and equipment	4.0	6.8
	-----	-----
Net cash used in investing activities	(14.6)	(31.3)
FINANCING ACTIVITIES		
Payment of long-term debt	(.2)	(3.1)
Increase in long-term debt	-	4.3
Net decrease in short-term borrowings	(22.8)	(65.3)
Purchase of treasury stock	(8.1)	(6.4)
Proceeds from stock purchase and option plans	7.8	17.2
Proceeds from termination of interest rate swap agreement	5.1	-
Cash dividends paid	(43.6)	(41.8)
	-----	-----
Net cash used in financing activities	(61.8)	(95.1)
Effect of exchange rate changes on cash	3.4	.8
	-----	-----
Increase in cash and cash equivalents	67.0	.2
Cash and cash equivalents at beginning of period	18.4	6.7
	-----	-----
Cash and cash equivalents at end of period	\$ 85.4	\$ 6.9
	=====	=====
Supplemental cash flow disclosures:		
Cash paid for interest	\$ 19.3	\$ 24.2
Cash paid (refunded) for income taxes	\$ 13.3	\$ (2.4)

See Notes to Consolidated Financial Statements.

SNAP-ON INCORPORATED  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. This report should be read in conjunction with the consolidated financial statements and related notes included in Snap-on Incorporated's ("Snap-on" or "the company") Annual Report on Form 10-K for the year ended December 28, 2002.

In the opinion of management, all adjustments (consisting only of normal recurring adjustments and adjustments related to restructuring and other non-recurring charges) necessary to a fair statement of financial condition and results of operations for the three and nine months ended September 27, 2003, have been made. Management also believes that the results of operations for the three and nine months ended September 27, 2003, are not necessarily indicative of the results to be expected for the full year. Certain prior-year amounts have been reclassified to conform to the current-year presentation.

2. In May 2003, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity," which requires issuers to classify as liabilities certain classes of freestanding financial instruments (instruments that are entered into separately from other instruments or transactions or are legally detachable and separately exercisable) that represent obligations of the issuer. SFAS No. 150 is effective for all public company freestanding financial instruments entered into or modified after May 31, 2003. The adoption of SFAS No. 150, which became effective for Snap-on on June 29, 2003, the beginning of its fiscal 2003 third quarter, did not have a material impact on the company's consolidated financial statements.

In April 2003, the FASB issued SFAS No. 149, "Amendment of Statement No. 133 on Derivative Instruments and Hedging Activities," which became effective for Snap-on on June 29, 2003, the beginning of its fiscal 2003 third quarter. SFAS No. 149 clarifies accounting for certain derivative instruments, including certain derivative instruments embedded in other contracts and hedging activities under SFAS No. 133. The adoption of SFAS No. 149 did not have a material impact on the company's consolidated financial statements. See Note 9 for additional information on Snap-on's derivative and hedging financial instruments.

The FASB issued Interpretation ("FIN") No. 46, "Consolidation of Variable Interest Entities" (an interpretation of Accounting Research Bulletin No. 51, "Consolidated Financial Statements") in January 2003. FIN No. 46 provides consolidation guidance regarding the identification of variable interest entities ("VIE") for which control is achieved through means other than through voting rights. FIN No. 46 provides guidance in determining if a business enterprise is the primary beneficiary of a VIE and whether or not that business enterprise should consolidate the VIE for financial reporting purposes. FIN No. 46 applies to a VIE in which equity investors of the VIE, if any, do not have the characteristics of a controlling interest or do not have sufficient equity at risk for the VIE to finance its activities independently. FIN No. 46 requires each enterprise involved with a special purpose entity to determine whether it provides financial support to the special purpose entity through a variable interest. Variable interests may arise from financial instruments, service contracts, minority ownership interests or other arrangements. If an entity holds a majority of the variable interests, or a significant variable interest that is considerably more than any other party's variable interest, then that entity would be the primary beneficiary and would be required to include the assets,

SNAP-ON INCORPORATED  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

liabilities and results of operations of the special purpose entity in its consolidated financial statements.

In Snap-on's Form 10-Q for the quarter ended June 28, 2003, the company disclosed that it had completed its evaluation of FIN No. 46 and concluded that Snap-on was not required to consolidate Snap-on Credit LLC ("SOC"), a

50%-owned financial services joint venture that is accounted for using the equity method. On October 9, 2003, the FASB postponed the initial implementation date for FIN No. 46, which would have been effective for Snap-on on June 29, 2003, the beginning of its fiscal 2003 third quarter.

The company is evaluating recent guidance from the FASB, the U.S. Securities and Exchange Commission ("SEC") and the accounting profession on the implementation of FIN No. 46, the results of which could alter the company's previously disclosed position on the consolidation of SOC. During the fourth quarter of 2003, Snap-on will continue to evaluate the appropriate accounting for SOC under FIN No. 46. The company will conclude on the impact of the adoption of FIN No. 46 in the fourth quarter of fiscal 2003, provided that FIN No. 46 becomes effective for Snap-on in that quarter. If it is determined that Snap-on is required to consolidate SOC, then Snap-on will include the assets and liabilities of SOC in its consolidated financial statements as of January 3, 2004, Snap-on's fiscal 2003 year end. Refer to Note 7 for additional information regarding SOC, including SOC's unaudited summary statements of financial condition as of September 30, 2003, and December 31, 2002, and SOC's unaudited summary results of operations for the three and nine months ended September 30, 2003, and September 30, 2002.

3. Accounts receivable include trade accounts receivable, installment receivables and dealer financing. Current gross installment receivables amounted to \$59.1 million and \$49.5 million at September 27, 2003, and December 28, 2002, and include \$9.9 million and \$8.1 million of unearned finance charges. The components of Snap-on's current accounts receivable were as follows:

(Amounts in millions)	Sept.27, 2003 ----	Dec. 28, 2002 ----
Trade accounts receivable	\$519.3	\$497.0
Installment receivables	49.2	41.4
Other accounts receivable	38.3	59.0
	-----	-----
Total	606.8	597.4
Allowance for doubtful accounts	(45.6)	(41.2)
	-----	-----
Total accounts receivable - net	\$561.2	\$556.2
	=====	=====

The long-term portion of accounts receivable is classified in "Other assets" on the accompanying Consolidated Balance Sheets and is comprised of installment and dealer financing receivables with payment terms that are due beyond one year. Long-term gross installment receivables amounted to \$49.2 million and \$45.2 million at September 27, 2003, and December 28, 2002, and include \$8.5 million and \$7.9 million of unearned finance charges.

4. Inventories consist of manufactured products and merchandise for resale and are stated at the lower of cost or market. Manufactured products include the costs of materials, labor and manufacturing overhead. Inventories accounted for using the first-in, first-out (FIFO) method as of September 27, 2003, and December 28, 2002, approximated 68% and 65% of total inventories, respectively. All other inventories are generally determined using the last-in, first-out (LIFO) cost method.

The company's LIFO reserve at September 27, 2003, was \$89.5 million, down \$6.3 million from \$95.8 million at December 28, 2002, and down \$5.1 million from \$94.6 million at June 28, 2003, reflecting lower inventory levels. Since year-end 2002, finished goods inventory levels have declined from \$337.5 million to \$316.8 million at September 27, 2003. The change in the company's LIFO reserve for both the three and nine months ended September 27, 2003, is reflected as a reduction in "Cost of goods sold" on the accompanying Consolidated Statements of Earnings.

5. At the beginning of its 2002 fiscal year, Snap-on adopted SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 142 applies to all goodwill and other intangible assets recognized by the company as of

December 30, 2001. In accordance with SFAS No. 142, Snap-on recorded a cumulative effect of a change in accounting principle transition adjustment that increased net earnings in the first quarter of 2002 by \$2.8 million, on both a pretax and after-tax basis, from the recognition of negative goodwill.

Additional disclosures related to acquired intangible assets were as follows:

	September 27, 2003		December 28, 2002	
	Gross Carrying Value	Accumulated Amortization	Gross Carrying Value	Accumulated Amortization
(Amounts in millions)				
Amortized intangible assets:				
Trademarks	\$ 4.4	\$ (.4)	\$ 3.9	\$ (.3)
Patents	31.4	(10.7)	29.4	(8.3)
Total	35.8	(11.1)	33.3	(8.6)
Unamortized intangible assets:				
Trademarks	43.9	-	41.0	-
Total intangible assets	\$ 79.7	\$ (11.1)	\$ 74.3	\$ (8.6)

As of September 27, 2003, the weighted-average amortization period was 35 years for trademarks, 16 years for patents, and 19 years on a combined basis. As of December 28, 2002, the weighted-average amortization period was 34 years for trademarks, 16 years for patents, and 19 years on a combined basis.

Amortization expense was \$.7 million and \$1.6 million for the three and nine months ended September 27, 2003, and \$.5 million and \$1.3 million for the three and nine months ended September 28, 2002. Total estimated annual amortization expense expected for each of the next five fiscal years, based on current levels of other intangible assets, is approximately \$2.0 million.

Goodwill was \$397.5 million and \$366.4 million at September 27, 2003, and December 28, 2002. The increase in goodwill as compared to the December 28, 2002, balance primarily reflects currency translation.

6. In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." SFAS No. 146 addresses significant issues regarding the recognition, measurement and reporting of costs that are associated with exit and disposal activities, including restructuring activities that are accounted for pursuant to the guidance that the Emerging Issues Task Force ("EITF") set forth in EITF Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." SFAS No. 146 nullifies EITF Issue No. 94-3 and requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred, rather than at

SNAP-ON INCORPORATED  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

the date of the entity's commitment to an exit plan. SFAS No. 146 is effective for exit and disposal activities that are initiated after December 28, 2002. Snap-on adopted SFAS No. 146 at the beginning of its 2003 fiscal year.

In mid-July 2003, Snap-on announced plans to phase out production at two of its U.S. hand tool manufacturing facilities, with a planned completion in 2004. In the company's Form 10-Q for the quarter ended June 28, 2003, Snap-on disclosed that it expected to record approximately \$22 million of costs in the remainder of 2003 associated with these actions, of which approximately \$17 million would be in the third quarter, including approximately \$12 million for accelerated pension and post-retirement medical curtailment expenses, with the remaining costs primarily for

severance and transition expenses. Snap-on also disclosed that it expected to incur approximately \$4 million of severance and transition expenses over the phase-out period in 2004.

In the third quarter of 2003, Snap-on recorded restructuring charges of \$14.0 million, including \$13.3 million for costs related to the above-mentioned facility closures. Due to continuing negotiations with the representative unions for these locations, the company was unable to record a portion of the severance and benefits that were previously anticipated to be recorded in the third quarter of 2003. Of the \$13.3 million in facility closure costs recorded in the third quarter, \$11.7 million was for the recognition of accelerated pension and post-retirement medical curtailment expenses, with the remaining costs primarily for severance, equipment transfer and other costs. In addition to the \$13.3 million of costs incurred in the third quarter of 2003, the company now expects that it will record approximately \$4 million to \$5 million of severance and transition costs in the fourth quarter of 2003 and approximately \$8 million to \$9 million of remaining severance and transition costs in the first quarter of 2004 for these actions. Snap-on believes that the anticipated savings from the closure of the two U.S. hand tool facilities will be approximately \$12 million per year, beginning in 2004. In the third quarter of 2003, Snap-on also incurred \$.7 million of costs primarily for severance and facility consolidation or closure costs to effect consolidation initiatives and management realignment actions at various other Snap-on facilities.

For the three months ended September 27, 2003, Snap-on recorded restructuring charges of \$14.0 million, including \$11.7 million for pension and post-retirement medical curtailment costs, as discussed above, \$1.1 million for severance costs to effect consolidation initiatives and management realignment actions, and \$1.2 million for facility consolidation or closure costs. For the nine months ended September 27, 2003, Snap-on recorded restructuring charges of \$19.5 million, including the \$11.7 million for pension and post-retirement medical curtailment costs, \$6.1 million for severance costs to effect consolidation initiatives and management realignment actions, and \$1.7 million for facility consolidation or closure costs. For the three and nine months ended September 27, 2003, restructuring charges of \$13.3 million and \$16.1 million were included in "Cost of goods sold," and \$.7 million and \$3.4 million were included in "Operating expenses," on the accompanying Consolidated Statements of Earnings.

The restructuring reserve usage of \$14.6 million for the quarter ended September 27, 2003, consisted of a non-cash pension and post-retirement medical curtailment charge of \$11.7 million related to the above-mentioned closure of the two hand tool facilities, \$1.6 million for severance

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SNAP-ON INCORPORATED  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

payments related to the separation of 207 employees, and \$1.3 million for equipment transfer and other costs. The restructuring reserve usage of \$19.9 million for the nine months ended September 27, 2003, included the \$11.7 million for pension and post-retirement medical curtailment, \$6.5 million for severance payments related to the separation of 353 employees, and \$1.7 million for equipment transfer and other costs. During the first quarter of 2003, Snap-on completed its restructuring actions initiated in the fourth quarter of 2002.

The composition of Snap-on's restructuring charge activity for the quarter ended September 27, 2003, was as follows:

(Amounts in millions)	Balance at June 28, 2003 -----	Additions -----	Usage -----	Balance at Sept. 27, 2003 -----
Severance costs	\$ 3.0	\$ 1.1	\$ (1.6)	\$ 2.5
Pension and post- retirement medical	-	11.7	(11.7)	-
Facility consolidation or closure costs	.1	1.2	(1.3)	-



	-----	-----	-----	-----
Total	\$ 3.1	\$14.0	\$ (14.6)	\$ 2.5
	=====	=====	=====	=====

Snap-on has funded and expects to continue to fund the remaining cash requirements of its restructuring activities with cash flows from operations and borrowings under its existing credit facilities. The specific restructuring measures and estimated costs were based on management's best business judgment under prevailing circumstances. If future events warrant changes to the reserve, such adjustments will be reflected as either "Cost of goods sold" or "Operating expenses," as appropriate, in the applicable Consolidated Statements of Earnings.

7. SOC is an unconsolidated 50%-owned joint venture between Snap-on and The CIT Group, Inc. ("CIT") that is presently accounted for by Snap-on using the equity method. SOC was formed as a limited liability company with member contributions totaling \$2.0 million, and SOC commenced operations on January 3, 1999. As of September 27, 2003, Snap-on's equity investment in SOC totaled approximately \$6.2 million. SOC provides a broad range of financial services to Snap-on's U.S. dealer and customer network and to Snap-on's industrial and other customers. Snap-on also provides financing to its dealers and customers internationally through its wholly owned credit subsidiaries, the results of which are included in Snap-on's Consolidated Financial Statements.

Snap-on receives royalty and management fee income from SOC based on the volume of financings originated by SOC. Snap-on also shares with CIT ratably in any residual net profit or loss of the joint venture after operating expenses, including royalty and management fees, interest costs and credit loss provisions.

SOC sells substantially all of its originated contracts on a limited recourse basis to CIT, net of certain fees. SOC services these contracts for an estimated market-rate servicing fee.

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SNAP-ON INCORPORATED  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

SOC establishes a reserve for all contract receivables sold to CIT, and SOC's credit losses on the sold contract receivables are limited to the extent of the reserve. SOC also establishes a prepayment reserve to cover amounts due to CIT as a result of early prepayments by customers on loans sold to CIT. Loan losses on the contract receivables retained by SOC were not material in any year.

Snap-on has credit risk exposure for certain loans that SOC originates with recourse provisions against Snap-on. At September 27, 2003, and December 28, 2002, \$27.4 million and \$32.1 million of these loans, with terms ranging from six months to ten years, have a primary recourse provision against Snap-on if the loans become more than 90 days past due. For the three and nine months ended September 27, 2003, \$.2 million and \$1.2 million of such loans were purchased by Snap-on pursuant to the recourse provisions.

The maximum potential amount of future payments that Snap-on could be required to make to SOC under the recourse provisions as of September 27, 2003, is \$27.4 million, including \$11.1 million that was originated in fiscal 2003. The asset value of the collateral underlying these recourse loans would serve to mitigate Snap-on's loss in the event of default. In accordance with the provisions of FIN No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others," Snap-on established a liability for the estimated fair value of the guarantees for all fiscal-2003 loan originations with recourse. The remaining estimated fair value of the guarantees for the \$11.1 million of fiscal-2003 loan originations outstanding with recourse as of September 27, 2003, was \$.9 million.

SOC had previously maintained a \$25 million bank line of credit for working capital purposes, of which Snap-on was a 60% guarantor and CIT was a 40% guarantor. SOC's bank line of credit expired May 31, 2003, and was not renewed. CIT and Snap-on have agreed to fund SOC's future working capital requirements on a 50 / 50 basis, with a combined maximum borrowing limit not to exceed \$24 million. As of September 27, 2003, the outstanding amount

loaned by Snap-on to SOC pursuant to this agreement was \$1.5 million. The balance loaned by Snap-on to SOC as of the end of SOC's calendar quarter, September 30, 2003, was \$.5 million.

The maximum exposure to Snap-on as of September 27, 2003, and December 28, 2002, related to SOC was the \$6.2 million and \$2.7 million equity investment plus the recourse obligations on customer financings and the outstanding amount borrowed by SOC, all of which are discussed above. At December 28, 2002, Snap-on's maximum exposure related to SOC also included the guarantee on SOC's bank line of credit.

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SNAP-ON INCORPORATED  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Summarized unaudited financial information of SOC as of September 30, 2003, and December 31, 2002, and for the three and nine months ended September 30, 2003, and September 30, 2002, as provided to Snap-on by SOC, is as follows:

(Amounts in millions)	September 30, 2003 ----	December 31, 2002 ----
Cash and cash equivalents	\$ 1.2	\$ 5.4
Receivables, net of allowances	12.9	13.4
Servicing receivable	8.2	7.6
Due from members	8.1	10.9
Other assets	10.4	8.0
	----- \$40.8 =====	----- \$ 45.3 =====
Payable to members	\$ 8.3	\$ 12.4
Reserves for contract receivables sold	12.0	8.3
Other accrued liabilities	7.2	8.6
Short-term borrowings	1.0	11.0
Members' equity	12.3	5.0
	----- \$ 40.8 =====	----- \$45.3 =====
	Three Months Ended ----- September 30, -----	Nine Months Ended ----- September 30, -----
(Amounts in millions)	2003 ----	2003 ----
Revenues:	2002 ----	2002 ----
Gain on sale of contract receivables sold	\$14.2	\$15.2
Servicing fee income	2.6	2.1
Other income	.2	.2
	-----	-----
Total revenues	17.0	17.5
	-----	-----
Expenses:		
Royalty fees	5.7	5.6
Salaries and benefits	4.3	3.8
Management fees	2.8	2.8
Other	2.8	2.1
	-----	-----
Total expenses	15.6	14.3
	-----	-----
Net income	\$ 1.4 =====	\$ 3.2 =====
		\$ 7.2 =====
		2.2 =====

The FASB issued FIN No. 46, "Consolidation of Variable Interest Entities" in January 2003. As discussed in Note 2, the original implementation date for FIN No. 46 has been deferred. During the fourth quarter of 2003, Snap-on will continue to evaluate the appropriate accounting for SOC under

SNAP-ON INCORPORATED  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

No. 46. The company will conclude on the impact of the adoption of FIN No. 46 in the fourth quarter of fiscal 2003, provided that FIN No. 46 becomes effective for Snap-on in that quarter.

8. Notes payable and long-term debt at September 27, 2003, totaled \$335.7 million, down \$25.0 million from the \$360.7 million reported at December 28, 2002. Notes payable to banks under bank lines of credit totaled \$6.6 million and \$22.3 million at September 27, 2003, and December 28, 2002. At September 27, 2003, Snap-on had commercial paper outstanding denominated in U.S. dollars of \$25.0 million, and at December 28, 2002, Snap-on had commercial paper outstanding denominated in U.S. dollars of \$25.0 million and Japanese yen of \$7.9 million.

At September 27, 2003, Snap-on had \$408 million of multi-currency revolving credit facilities that provide back-up liquidity for its commercial paper programs. These facilities include a \$200 million, 364-day revolving credit facility with a one-year term-out option that terminates on July 30, 2004. The company's credit facilities also include a five-year, \$208 million revolving credit facility that terminates on August 20, 2005. As of September 27, 2003, and December 28, 2002, Snap-on was in compliance with all covenants of its revolving credit facilities and there were no borrowings under any revolving credit facility. Snap-on also has an unused committed \$20 million bank line of credit that expires on August 1, 2004.

9. Snap-on accounts for its hedging activities under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended by SFAS No. 138 and SFAS No. 149. These standards require that all derivative instruments be reported in the consolidated financial statements at fair value. Changes in the fair value of derivatives are to be recorded each period in earnings or "Accumulated other comprehensive income (loss)," depending on the type of hedged transaction and whether the derivative is designated and effective as part of a hedged transaction. Gains or losses on derivative instruments reported in "Accumulated other comprehensive income (loss)" must be reclassified as earnings in the period in which earnings are affected by the underlying hedged item, and the ineffective portion of all hedges must be recognized in earnings in the current period.

Snap-on uses derivative instruments to manage well-defined interest rate and foreign currency exposures. Snap-on does not use derivative instruments for speculative or trading purposes. The criteria used to determine if hedge accounting treatment is appropriate are (i) the designation of the hedge to an underlying exposure, (ii) whether or not overall risk is being reduced, and (iii) if there is a correlation between the value of the derivative instrument and the underlying obligation. On the date a derivative contract is entered into, Snap-on designates the derivative as a fair value hedge, a cash flow hedge, a hedge of a net investment in a foreign operation, or a natural hedging instrument whose change in fair value is recognized as an economic hedge against changes in the values of the hedged item.

Foreign Currency Derivative Instruments: Snap-on has operations in a number of countries that have transactions outside their functional currencies and, as a result, is exposed to changes in foreign currency exchange rates. In addition, Snap-on hedges the anticipated repayment of intercompany loans to foreign subsidiaries denominated in foreign currencies. Snap-on manages most of these

SNAP-ON INCORPORATED  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

exposures on a consolidated basis, which allows for netting of certain exposures to take advantage of natural offsets. Forward exchange contracts are used to hedge the net exposures. Gains or losses on net foreign currency hedges are intended to offset losses or gains on the underlying net exposures in an effort to reduce the earnings volatility resulting from fluctuating foreign currency exchange rates.

At September 27, 2003, Snap-on had net outstanding foreign exchange forward contracts totaling \$121.1 million comprised of buy contracts of \$64.3 million in Swedish kronor and sell contracts of \$97.2 million in euros, \$44.4 million in British pounds, \$18.6 million in Canadian dollars, \$9.9 million in Singapore dollars, \$7.2 million in Japanese yen, \$3.7 million in Danish kronor, \$3.3 million in Norwegian kronor and \$1.1 million in other currencies. At December 28, 2002, Snap-on had net outstanding foreign exchange forward contracts totaling \$161.9 million comprised of buy contracts of \$52.5 million in Swedish kronor and sell contracts of \$103.8 million in euros, \$59.1 million in British pounds, \$31.2 million in Canadian dollars, \$7.5 million in Singapore dollars, \$3.0 million in Danish kronor, \$2.5 million in Australian dollars, \$3.7 million in Mexican pesos and \$3.6 million in other currencies.

Snap-on classifies the majority of its forward exchange contracts as natural hedges and therefore these contracts are excluded from the assessment of effectiveness. The fair value changes of these contracts are reported in earnings as foreign exchange gain or loss, which is included in "Other income (expense) - net" on the accompanying Consolidated Statements of Earnings. Those forward exchange contracts that qualify for hedge accounting treatment are accounted for as cash flow hedges where the effective portion of the changes in fair value of the derivative is recorded in "Accumulated other comprehensive income (loss)." When the hedged item is realized in income, the gain or loss included in "Accumulated other comprehensive income (loss)" is reclassified to income in the same financial statement caption as the hedged item. The ineffective portion of changes in fair value of the cash flow hedges are reported in earnings as foreign exchange gain or loss, which is included in "Other income (expense) - net," and were not material for the three and nine months ended September 27, 2003, and September 28, 2002.

**Non-Derivative Instruments Designated in Hedging Relationships:** Snap-on uses non-U.S. dollar financing transactions as net investment hedges of long-term investments in the corresponding foreign currency. Hedges that meet the effectiveness requirements are accounted for under net investment hedging rules. The effective portion of the net investment hedge of a foreign operation is recorded in "Accumulated other comprehensive income (loss)" as a cumulative translation adjustment. When applicable, the ineffective portion of the net investment hedge is recorded in earnings as foreign exchange gain or loss, which is included in "Other income (expense) - net." These ineffective portions were not material for the three and nine months ended September 27, 2003, and September 28, 2002. At September 27, 2003, net gains of \$.1 million arising from effective hedges of net investments have been reflected in the cumulative translation adjustment account as a component of "Accumulated other comprehensive income (loss)."

**Interest Rate Swap Agreements:** Snap-on enters into interest rate swap agreements to manage interest costs and risks associated with changing interest rates. Interest rate swap agreements are accounted for as either cash flow hedges or fair value hedges. The differentials paid or received on interest rate

SNAP-ON INCORPORATED  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

swap agreements are accrued and recognized as adjustments to interest expense. For fair value hedges the effective portion of the change in fair value of the derivative is recorded in "Long-term debt," while any ineffective portion is recorded as an adjustment to interest expense. For cash flow hedges the effective portion of the change in fair value of the derivative is recorded in "Accumulated other comprehensive income (loss)," while any ineffective portion is recorded as an adjustment to interest expense.

In June 2003, Snap-on received proceeds of \$5.1 million for the termination of a \$25 million interest rate swap that was a fair value hedge for a portion of its \$200 million, 6.25% long-term notes. The \$5.1 million will be amortized to income using the effective interest rate method over the remaining life of the notes, which mature on August 15, 2011. At the same time, Snap-on entered into a new \$25 million interest rate swap to hedge that same portion of these notes.

The notional amount of interest rate swaps was \$50 million at September 27, 2003, and December 28, 2002, and included \$25 million of fair value hedges and \$25 million of cash flow hedges.

For all cash flow hedges qualifying for hedge accounting under SFAS No. 133, the net accumulated derivative loss at September 27, 2003, was \$2.4 million, after tax, and is reflected in "Accumulated other comprehensive income (loss)." Changes in the fair value of derivative financial instruments qualifying for hedge accounting under SFAS No. 133, are reflected as derivative assets or liabilities with the corresponding gains or losses reflected in earnings in the period of change. An offsetting gain or loss is also reflected in earnings based upon the changes of the fair value of the debt instrument being hedged. For all fair value hedges qualifying for hedge accounting under SFAS No. 133, the net accumulated derivative loss at September 27, 2003, was \$1.7 million. At September 27, 2003, the maximum maturity date of any cash flow hedge and fair value hedge was approximately two years and eight years, respectively. During the next 12 months, Snap-on expects to reclassify into earnings net losses from "Accumulated other comprehensive income (loss)" of approximately \$.9 million after tax at the time the underlying hedged transactions are realized.

During the quarter ended September 27, 2003, cash flow hedge and fair value hedge ineffectiveness was not material.

10. Snap-on has stock option plans for directors, officers and key employees, with expiration dates on the options ranging from 2003 to 2013 and vesting periods ranging from immediate to three years. The plans provide that options be granted at exercise prices equal to market value on the date the option is granted.

Snap-on accounts for its stock-based employee compensation plans under the recognition and measurement principles of Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees." In accordance with the provisions of APB Opinion No. 25, no compensation expense was recorded for stock options as all options granted had an exercise price equal to the market value of the underlying common stock on the measurement date. For restricted stock and stock appreciation rights awards, Snap-on recorded compensation expense in the respective periods as appropriate.

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SNAP-ON INCORPORATED  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Snap-on adopted the disclosure provisions of SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure, an amendment of FASB Statement No. 123," as of December 28, 2002. The following table illustrates the effect on net earnings and earnings per share as if Snap-on had applied the fair value recognition provisions of SFAS No. 123, "Accounting for Stock-Based Compensation," to stock-based employee compensation using the Black-Scholes option-pricing model.

	Three Months Ended		Nine Months Ended	
	Sept. 27, 2003	Sept. 28, 2002	Sept. 27, 2003	Sept. 28, 2002
(Amounts in millions except per share data)	----	----	----	----
Net earnings, as reported	\$17.7	\$19.2	\$61.4	\$72.9
Add: Stock-based employee compensation expense (income) included in reported net earnings, net of related tax effects	.3	(.2)	2.2	(.7)
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(2.0)	(1.9)	(5.7)	(5.7)
Pro forma net earnings	\$16.0	\$17.1	\$57.9	\$66.5
	=====	=====	=====	=====
Net earnings per share - basic and diluted:				
As reported	\$ .30	\$ .33	\$1.05	\$1.25
Pro forma	.27	.29	.99	1.14

The assumptions used to calculate the fair value of options granted are evaluated and revised, as necessary, to reflect market conditions and

experience.

11. Basic earnings per share calculations were computed by dividing net earnings by the corresponding weighted-average number of common shares outstanding for the period. The dilutive effect of the potential exercise of outstanding options to purchase common shares is calculated using the treasury stock method. Snap-on had dilutive shares as of September 27, 2003, and September 28, 2002, of 149,711 shares and 326,352 shares. Options to purchase 3,779,270 shares and 2,320,019 shares of Snap-on common stock at September 27, 2003, and September 28, 2002, were not included in the computation of diluted earnings per share as the exercise prices of the options was greater than the average market price of the common stock for the respective period and the effect on earnings per share would be anti-dilutive.

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SNAP-ON INCORPORATED  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

12. Total comprehensive income for the three and nine months ended September 27, 2003, and September 28, 2002, was as follows:

(Amounts in millions)	Three Months Ended		Nine Months Ended	
	Sept. 27, 2003 ----	Sept. 28, 2002 ----	Sept. 27, 2003 ----	Sept. 28, 2002 ----
Net earnings	\$ 17.7	\$ 19.2	\$ 61.4	\$ 72.9
Foreign currency translation	.4	(8.0)	79.1	31.5
Change in fair value of derivative instruments, net of tax	.2	(.9)	1.0	(1.7)
	-----	-----	-----	-----
Total comprehensive income	\$ 18.3 =====	\$ 10.3 =====	\$ 141.5 =====	\$ 102.7 =====

13. Snap-on has various corporate and government customers worldwide that purchase Snap-on products pursuant to multi-year contracts. These contracts can include a variety of terms and are periodically subject to audit by the customers for compliance. Snap-on currently has two contracts being audited by government auditors. Snap-on is also involved in various other legal matters that are being defended and handled in the ordinary course of business. Snap-on maintains accruals for such costs that it expects to incur with regard to these matters. Although it is not possible to predict the outcome of these matters, management believes that the results will not have a material impact on Snap-on's financial statements.

Snap-on provides product warranties for specific product lines and accrues for estimated future warranty cost in the period in which the sale is recorded. Snap-on calculates its reserve requirements based on historical warranty loss experience that is periodically adjusted for recent actual experience. The following is an analysis of Snap-on's product warranty reserve for the three and nine months ended September 27, 2003, and September 28, 2002:

(Amounts in millions)	Three Months Ended		Nine Months Ended	
	Sept. 27, 2003 ----	Sept. 28, 2002 ----	Sept. 27, 2003 ----	Sept. 28, 2002 ----
Beginning of period	\$ 11.8	\$ 8.4	\$ 11.6	\$ 8.2
Additions	2.6	5.0	8.7	11.7
Usage	(3.0)	(2.6)	(8.9)	(9.1)
	-----	-----	-----	-----
End of period	\$ 11.4 =====	\$ 10.8 =====	\$ 11.4 =====	\$ 10.8 =====

SNAP-ON INCORPORATED  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

14. Snap-on's business segments are based on the organization structure used by management for making operating and investment decisions and for assessing performance. Snap-on's reportable business segments include: (i) the Snap-on Dealer Group; (ii) the Commercial and Industrial Group; and (iii) the Diagnostics and Information Group. The Snap-on Dealer Group consists of Snap-on's business operations serving the worldwide franchised dealer van channel. The Commercial and Industrial Group consists of the business operations providing tools and equipment products to a broad range of industrial and commercial customers worldwide through direct, distributor and other non-franchised distribution channels. The Diagnostics and Information Group consists of the business operations providing diagnostics equipment, vehicle-service information, business management systems, equipment repair services and other solutions for vehicle service to customers in the worldwide vehicle service and repair marketplace.

Snap-on evaluates the performance of its operating segments based on segment net sales and operating earnings. Segment net sales are defined as total net sales, including both net sales to external customers and intersegment sales. Segment operating earnings are defined as segment net sales less cost of goods sold and operating expenses, including applicable restructuring and other non-recurring charges. Snap-on began allocating restructuring and other non-recurring charges to its reportable segments in fiscal 2003. Prior to fiscal 2003, Snap-on did not allocate such charges to the reportable segments. As a result, all prior-year segment information presented herein has been restated to conform to the 2003 presentation. Snap-on accounts for intersegment sales and transfers based primarily on standard costs with reasonable mark-ups established between the segments. Snap-on allocates shared services expenses to those segments that utilize the services based on a percentage of either cost of goods sold or segment net sales, as appropriate. Certain other prior-year reclassifications have been made to conform to the 2003 management reporting structure.

Neither Snap-on nor any of its segments depends on any single customer, small group of customers or government for more than 10% of its sales.

SNAP-ON INCORPORATED  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Financial data by segment was as follows:

	Three Months Ended		Nine Months Ended	
	Sept. 27, 2003 ----	Sept. 28, 2002 ----	Sept. 27, 2003 ----	Sept. 28, 2002 ----
(Amounts in millions)				
Net sales to external customers:				
Snap-on Dealer Group	\$ 244.9	\$ 236.5	\$ 777.6	\$ 758.4
Commercial and Industrial Group	236.0	224.2	729.5	680.8
Diagnostics and Information Group	44.7	41.7	126.8	120.4
	-----	-----	-----	-----
Total net sales to external customers	\$ 525.6	\$ 502.4	\$ 1,633.9	\$ 1,559.6
	=====	=====	=====	=====
Intersegment sales:				
Snap-on Dealer Group	\$ 6.7	\$ 6.8	\$ 20.2	\$ 17.5
Commercial and Industrial Group	28.6	28.8	90.1	89.3
Diagnostics and Information Group	34.8	43.3	105.0	135.1
	-----	-----	-----	-----
Total intersegment sales	\$ 70.1	\$ 78.9	\$ 215.3	\$ 241.9
	=====	=====	=====	=====
Total net sales:				
Snap-on Dealer Group	\$ 251.6	\$ 243.3	\$ 797.8	\$ 775.9
Commercial and Industrial Group	264.6	253.0	819.6	770.1
Diagnostics and Information Group	79.5	85.0	231.8	255.5
	-----	-----	-----	-----
Segment net sales	595.7	581.3	1,849.2	1,801.5
Intersegment eliminations	(70.1)	(78.9)	(215.3)	(241.9)
	-----	-----	-----	-----
Total consolidated net sales	\$ 525.6	\$ 502.4	\$ 1,633.9	\$ 1,559.6
	=====	=====	=====	=====
Operating earnings:				
Snap-on Dealer Group	\$ 8.2	\$ 11.7	\$ 55.4	\$ 64.6
Commercial and Industrial Group	3.8	9.2	10.7	28.6

Diagnostics and Information Group	9.1	8.1	17.0	17.4
	-----	-----	-----	-----
Segment operating earnings	21.1	29.0	83.1	110.6
Net finance income	10.0	10.3	31.7	26.4
	-----	-----	-----	-----
Operating earnings	31.1	39.3	114.8	137.0
Interest expense	(5.8)	(6.9)	(18.2)	(22.2)
Other income (expense) - net	(2.4)	(2.3)	(6.5)	(5.3)
	-----	-----	-----	-----
Earnings before income taxes	\$ 22.9	\$ 30.1	\$ 90.1	\$ 109.5
	=====	=====	=====	=====

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SNAP-ON INCORPORATED  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Amounts in millions)	As of	
	Sept. 27, 2003	Dec. 28, 2002
	-----	-----
Assets:		
Snap-on Dealer Group	\$ 757.0	\$ 759.7
Commercial and Industrial Group	1,087.3	1,010.7
Diagnostics and Information Group	199.0	198.5
	-----	-----
Total from reportable segments	2,043.3	1,968.9
Financial Services	97.6	82.5
Elimination of intersegment receivables	(33.0)	(57.3)
	-----	-----
Total assets	\$2,107.9	\$1,994.1
	=====	=====

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SNAP-ON INCORPORATED  
MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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

RESULTS OF OPERATIONS

Consolidated

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Third Quarter

Net sales were \$525.6 million in the third quarter of 2003, up \$23.2 million, or 4.6%, from the \$502.4 million in the prior-year period. The year-over-year increase in net sales includes favorable currency translation of \$19.7 million, or 3.9% of total sales, as well as a 5.7% increase in sales volume in the North American franchised dealer operation, and a 10.7% increase in sales to new vehicle dealerships under facilitation agreements ("the facilitation business"). Favorable net pricing also contributed to the year-over-year sales increase. These year-over-year increases in sales were largely offset by a continued decline in sales of equipment and large platform-based diagnostics. Sales of tools for industrial and commercial applications worldwide were essentially flat year over year.

The ramp-up of the Technical Automotive Group ("TAG"), which was launched in the second quarter of 2003, continued in the third quarter with sales, sales leads and margins increasing sequentially compared with the second quarter of 2003, despite a traditional seasonal downturn and the continued difficult economy. The TAG direct sales group was created to enhance Snap-on's existing equipment distribution network and improve the long-term operating margin in that business. As expected, the launch of the new TAG sales organization led to a short-term disruption in sales, negatively affecting both second and third quarter year-over-year sales comparisons. Snap-on continues to expect sequentially improved TAG equipment sales and profitability trends in the fourth quarter of 2003.

Net earnings were \$17.7 million, or \$.30 per diluted share, for the third



quarter of 2003, as compared with net earnings of \$19.2 million, or \$.33 per diluted share, for the third quarter of 2002. Net earnings in the third quarter of 2003 included \$8.7 million (\$13.3 million pretax), or \$.15 per diluted share, for costs associated with the previously announced closure of two of Snap-on's U.S. hand tool manufacturing facilities. Net earnings in 2003 also included \$2.8 million, or \$.05 per diluted share, as a result of a lower third-quarter effective tax rate. Foreign currency effects on diluted earnings per share were negligible in the third quarter of 2003.

Gross profit for the third quarter of 2003 was \$221.8 million, down \$6.0 million from \$227.8 million in the prior-year period. As a percentage of sales, gross profit margin was 42.2% in the third quarter of 2003, versus 45.3% in the third quarter of 2002. Gross profit in the third quarter of 2003 was reduced by \$13.3 million, primarily for accelerated pension and post-retirement medical curtailment costs, for the closure of the two hand tool facilities. The combined effect of lower sales of large platform-based diagnostics products through the company's technical representatives ("tech rep") organization, unfavorable sales mix and lower sales volumes in the Commercial and Industrial Group, higher sales volume in the North American franchised dealer business and favorable net pricing, lowered third-quarter 2003 gross profit by \$1.6 million. Additionally, year-over-year favorable net currency impacts of \$6.6 million and net savings from restructuring and Operational Fitness activities of \$3.2 million were partially offset by higher pension, other retirement and insurance costs of \$2.1 million. Unfavorable year-over-year manufacturing cost absorption, primarily due to lower production volumes associated with improving inventory turns in a slow sales environment, and inventory-related adjustments were more than offset by a third-quarter 2003 reduction of \$5.1 million in the company's LIFO reserve, reflecting the continued progress in Snap-on's efforts to reduce inventory levels.

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SNAP-ON INCORPORATED  
MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

Operating expenses for the third quarter of 2003 were \$200.7 million, or 38.2% of sales, as compared to \$198.8 million, or 39.6% of sales, in the prior-year period. The \$1.9 million increase in year-over-year operating expenses primarily includes unfavorable net currency impacts of \$6.6 million, higher pension, other retirement and insurance costs of \$3.5 million, and higher health care costs of \$1.8 million, partially offset by savings from continuous improvement and cost reduction initiatives of \$4.3 million and lower bad debt expense of \$3.7 million. Snap-on also incurred operating expenses of \$.7 million in the third quarter of 2003 for continuous improvement initiatives, as compared to \$1.6 million in the third quarter of 2002.

Operating earnings were \$31.1 million for the third quarter of 2003 compared with \$39.3 million in the third quarter of 2002. In addition to the year-over-year gross profit and operating expense impacts discussed above, net finance income of \$10.0 million in the third quarter of 2003 was down slightly as compared to \$10.3 million in the third quarter of 2002.

Year to Date

For the first nine months of 2003, net sales were \$1,633.9 million, up \$74.3 million, or 4.8%, from the \$1,559.6 million in the prior-year period. Favorable currency impacts of \$78.4 million, along with increased sales in the worldwide franchised dealer operation and in the facilitation business, were partially offset by declines in sales of industrial tools, equipment and large platform-based diagnostics. Favorable net pricing and benefits from sales of new products also contributed to the year-over-year sales increase.

For the first nine months of 2003, net earnings were \$61.4 million, or \$1.05 per diluted share, as compared with net earnings of \$72.9 million, or \$1.25 per diluted share, in 2002. Net earnings in 2002 included a first-quarter net gain of \$2.8 million, or \$.05 per diluted share, for the cumulative effect of an accounting change associated with Snap-on's adoption of Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets." Snap-on adopted SFAS No. 142 at the beginning of its 2002 fiscal year. For the first nine months of 2002, net earnings before the cumulative effect of the change in accounting principle were \$70.1 million, or \$1.20 per diluted share. Foreign currency effects on diluted earnings per share were negligible in the first nine months of 2003.

Gross profit for the first nine months of 2003 was \$713.3 million, as compared to \$714.9 million in the first nine months of 2002. Year to date, gross profit margin was 43.7% in 2003, versus 45.8% in 2002. For the first nine months of 2003, gross profit benefited from favorable net currency impacts of \$25.4 million and savings from restructuring and Operational Fitness activities of \$12.9 million. Gross profit in 2003 was negatively impacted by \$16.1 million of higher costs for continuous improvement initiatives, including the \$13.3 million incurred in the third quarter for the closure of the two hand tool facilities. The combination of unfavorable sales mix and lower sales volumes, particularly in the Commercial and Industrial Group, partially offset by benefits from favorable net pricing, reduced gross profit by \$11.0

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SNAP-ON INCORPORATED  
MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

million for the first nine months of 2003. Unfavorable manufacturing cost absorption and inventory-related costs, net of LIFO reserve benefits realized, also lowered year-to-date 2003 gross profit by \$10.0 million. In the first nine months of 2003, Snap-on also incurred higher year-over-year pension, other retirement and insurance costs of \$5.1 million.

Operating expenses for the first nine months of 2003 were \$630.2 million, or 38.6% of sales, as compared to \$604.3 million, or 38.7% of sales, in the prior-year period. The \$25.9 million, or 4.3%, increase in year-over-year operating expenses primarily includes unfavorable net currency impacts of \$25.4 million, higher pension, other retirement and insurance costs of \$11.1 million, increased costs of \$1.7 million for the "More Feet on the Street" dealer expansion and enhancement initiative, costs for continuous improvement initiatives of \$3.4 million, higher health care costs of \$2.0 million, and higher research and development spending of \$1.4 million. The year-over-year operating expense comparison was also impacted by the inclusion, in 2003, of \$3.8 million in operating expenses for the prior-year acquisition of two business operations. These year-over-year increases were partially offset by savings of \$13.7 million from Snap-on's restructuring and Operational Fitness activities. In addition, the year-over-year operating expense comparison benefited from the absence of costs incurred in the first quarter of 2002 that included \$3.0 million related to the 2002 resignation of Snap-on's former chief financial officer and \$2.6 million for the write-down of a receivable related to the closure of auto service centers associated with a major retailer's bankruptcy. Operating expenses in the first nine months of 2002 included \$3.4 million for employee and equipment relocation transition costs to finalize the company's fiscal 2001 restructuring actions.

Operating earnings for the first nine months of 2003 were \$114.8 million, compared to \$137.0 million in the first nine months of 2002. In addition to the year-over-year gross profit and operating expense impacts discussed above, Snap-on realized higher net finance income of \$5.3 million for the first nine months of 2003, primarily as a result of increased credit originations and continued favorable interest rates.

Segment Results

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Snap-on's business segments are based on the organization structure used by management for making operating and investment decisions and for assessing performance. Snap-on's reportable business segments include: (i) the Snap-on Dealer Group, (ii) the Commercial and Industrial Group, and (iii) the Diagnostics and Information Group. The Snap-on Dealer Group consists of Snap-on's business operations serving the worldwide franchised dealer van channel. The Commercial and Industrial Group consists of the business operations providing tools and equipment products to a broad range of industrial and commercial customers worldwide through direct, distributor and other non-franchised distribution channels. The Diagnostics and Information Group consists of the business operations providing diagnostics equipment, vehicle-service information, business management systems, equipment repair services and other solutions for customers in the worldwide vehicle service and repair marketplace.

Snap-on evaluates the performance of its operating segments based on segment net sales and operating earnings. Segment net sales are defined as total net sales, including both net sales to external

SNAP-ON INCORPORATED  
MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

customers and intersegment sales. Segment operating earnings are defined as segment net sales less cost of goods sold and operating expenses, including applicable restructuring and other non-recurring charges. Snap-on began allocating restructuring and other non-recurring charges to its reportable segments in fiscal 2003. Prior to fiscal 2003, Snap-on did not allocate such charges to the reportable segments. As a result, all prior-year segment information presented herein has been restated to conform to the 2003 presentation. Snap-on accounts for intersegment sales and transfers based primarily on standard costs with reasonable mark-ups established between the segments. Snap-on allocates shared services expenses to those segments that utilize the services based on a percentage of either cost of goods sold or segment net sales, as appropriate. Certain other prior-year reclassifications have been made to conform to the 2003 management reporting structure.

The following discussion focuses on Snap-on's net sales and operating earnings by reportable segment.

(Amounts in millions)	Three Months Ended		Nine Months Ended	
	Sept. 27, 2003	Sept. 28, 2002	Sept. 27, 2003	Sept. 28, 2002
Total net sales:				
Snap-on Dealer Group	\$ 251.6	\$ 243.3	\$ 797.8	\$ 775.9
Commercial and Industrial Group	264.6	253.0	819.6	770.1
Diagnostics and Information Group	79.5	85.0	231.8	255.5
Segment net sales	595.7	581.3	1,849.2	1,801.5
Intersegment eliminations	(70.1)	(78.9)	(215.3)	(241.9)
Total consolidated net sales	\$ 525.6	\$ 502.4	\$1,633.9	\$1,559.6
Operating earnings:				
Snap-on Dealer Group	\$ 8.2	\$ 11.7	\$ 55.4	\$ 64.6
Commercial and Industrial Group	3.8	9.2	10.7	28.6
Diagnostics and Information Group	9.1	8.1	17.0	17.4
Segment operating earnings	21.1	29.0	83.1	110.6
Net finance income	10.0	10.3	31.7	26.4
Operating earnings	31.1	39.3	114.8	137.0
Interest expense	(5.8)	(6.9)	(18.2)	(22.2)
Other income (expense) - net	(2.4)	(2.3)	(6.5)	(5.3)
Earnings before income taxes	\$ 22.9	\$ 30.1	\$ 90.1	\$109.5

#### Snap-on Dealer Group

In the worldwide Snap-on Dealer Group, segment net sales for the third quarter of 2003 were \$251.6 million, as compared to \$243.3 million in the comparable prior-year period. Higher year-over-year sales in the North American franchised dealer operation, coupled with favorable currency translation impacts of \$5.3 million, were partially offset by significantly lower sales of equipment and large platform-based diagnostics through the tech rep organization. The sales growth in the North American franchised dealer operation in the third quarter of 2003 reflects sales gains by dealers to end-user customers - automotive

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technicians and mechanics. In the Dealer Group's international markets, sales were up slightly year over year due to favorable currency translation.

In 2002, Snap-on began focusing its dealers on the importance of better working capital management, including improving inventory turns. Over the past 15 months, Snap-on's sales growth was constrained as dealers continued to improve

their inventory turns. While this focus will continue, Snap-on believes the unfavorable effect on its sales from this action to be largely behind it at the present time. The improved working capital position of its dealers reflects Snap-on's continued focus on enhancing the business proposition for, and the fiscal strength of, its dealers under the More Feet on the Street initiative. End-market demand for tools and tool storage products in the first nine months of 2003 increased as sell-through by the dealers was up slightly when compared with the first nine months of 2002, despite the negative effect of severe winter weather in certain parts of the United States that hindered dealers' sales activity in the first quarter of 2003.

Segment earnings for the Dealer Group for the third quarter of 2003 of \$8.2 million were down from \$11.7 million in the third quarter of 2002. As a percentage of net sales, segment earnings were 3.3% in the third quarter of 2003, as compared to 4.8% in the third quarter of 2002. Segment earnings in 2003 were reduced by \$11.6 million for continuous improvement activities, including \$11.5 million in costs related to the closure of two hand tool facilities, and by \$2.6 million in higher year-over-year costs for pension, other retirement and insurance. In 2003, benefits from favorable net pricing, lower inventory levels and the success of new products, as well as productivity and cost savings of \$2.0 million, and lower year-over-year bad debt expense of \$1.8 million, were only partially offset by lower manufacturing cost absorption and weakness in sales of equipment and large platform-based diagnostics sold through the tech rep organization. In the third quarter of 2002, the Dealer Group incurred \$.8 million of restructuring-related transition costs to complete its 2001 restructuring initiatives.

For the first nine months of 2003, segment net sales were \$797.8 million, as compared to \$775.9 million in the comparable prior-year period. Higher year-over-year sales in the North American franchised dealer operation and in the Dealer Group's international markets, including favorable currency translation impacts of \$16.5 million, were partially offset by lower sales of equipment and large platform-based diagnostics sold through the tech rep organization.

Segment earnings for the Dealer Group for the first nine months of 2003 were \$55.4 million, down from \$64.6 million in the first nine months of 2002. On a year-to-date basis, segment earnings were 6.9% of segment net sales in 2003, as compared to 8.3% in the first nine months of 2002. Costs of \$15.0 million for continuous improvement initiatives, including third-quarter costs of \$11.6 million, and increased costs for pension, other retirement and insurance of \$8.3 million, lowered segment earnings for the Dealer Group in 2003. Snap-on also incurred higher year-over-year costs of \$1.7 million for continued investment in the More Feet on the Street initiative. Costs incurred for the More Feet on the Street initiative included higher dealer turnover costs to remove low-performing dealers, as well as higher costs for new dealer training, recruiting and other dealer expansion costs. In 2003, benefits from productivity and cost savings of \$7.0 million, as well as benefits from favorable net pricing and the success of new products, were only partially offset by lower manufacturing cost absorption and weakness in sales of equipment and large platform-based diagnostics sold through the tech rep organization. For the first nine

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months of 2002, the Dealer Group incurred \$2.4 million of restructuring-related transition costs to complete its 2001 restructuring initiatives.

Commercial and Industrial Group

In the Commercial and Industrial Group, segment net sales for the third quarter of 2003 were \$264.6 million, up 4.6% from \$253.0 million in the third quarter of 2002, including favorable currency translation of \$13.1 million and sales growth in the facilitation business. These year-over-year increases were partially offset by sales declines of capital equipment to vehicle repair shops in North America and Europe, reflecting ongoing depressed economic conditions. Sales of tools in the industrial and commercial marketplace worldwide for the third quarter of 2003 were flat with prior-year levels. The continued decline in sales to states and local municipalities was more than offset by increased sales to federal government entities. In addition to the continuing weak capital goods market, the second-quarter 2003 launch of the new TAG sales organization, which

is focused on the marketing of equipment, also contributed to the weaker third quarter sales performance year over year. Snap-on believes that the TAG organization will enhance the company's alignment of resources to provide better sales coverage, training and service to its customers. As of the end of the third quarter, sales, sales leads and margins increased sequentially compared with the second quarter of 2003, despite a traditional seasonal downturn and the continued difficult economy. Snap-on continues to expect sequentially improved TAG equipment sales and profitability trends toward the latter part of 2003, and on into 2004.

Segment earnings for the Commercial and Industrial Group for the third quarter of 2003 were \$3.8 million, down from \$9.2 million in the third quarter of 2002. As a percentage of net sales, segment earnings were 1.4% in the third quarter of 2003, as compared to 3.6% in the third quarter of 2002. Lower volumes and unfavorable sales mix in 2003 adversely impacted year-over-year operating earnings by \$4.8 million, as the unfavorable earnings effect from lower sales of high-margin industrial tools and equipment, including the impact related to the start-up of the new TAG organization, was not offset by the increased sales in the lower-margin facilitation business. Segment earnings in 2003 were also lowered by \$2.2 million for continuous improvement activities, including \$1.8 million related to the closure of the two hand tool facilities, and by \$2.5 million in higher year-over-year costs for pension, other retirement and insurance. Savings of \$3.8 million from restructuring and Operational Fitness activities partially offset these declines in year-over-year segment earnings. In the third quarter of 2002, the Commercial and Industrial Group incurred \$.6 million of restructuring-related transition costs to complete its 2001 restructuring initiatives.

In the Commercial and Industrial Group, segment net sales for the first nine months of 2003 were \$819.6 million, up \$49.5 million or 6.4%, as compared to \$770.1 million in the first nine months of 2002, including \$55.5 million from favorable currency translation. Growth in the company's facilitation business, along with higher sales of equipment for the European vehicle-service marketplace, reflecting the success of new product introductions over the past three years, was partially offset by sales declines in industrial tools and equipment, principally in North America, largely reflecting the continued impact of weak economic conditions in the manufacturing and capital goods marketplace.

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For the first nine months of 2003, segment earnings for the Commercial and Industrial Group were \$10.7 million, as compared to \$28.6 million in the first nine months of 2002. As a percentage of segment net sales, segment earnings for the first nine months of 2003 were 1.3%, as compared to 3.7% in the comparable prior-year period. Segment operating earnings in 2003 were adversely impacted by lower volumes, general cost increases and unfavorable sales mix of \$14.7 million, unfavorable manufacturing absorption and inventory-related costs of \$7.2 million, and higher costs of \$6.7 million for pension, other retirement and insurance. Segment earnings in 2003 were also lowered by \$4.3 million for continuous improvement activities, including \$1.8 million related to the closure of the two U.S. hand tool facilities. Savings from fiscal 2002 restructuring and Operational Fitness activities of \$13.5 million and benefits from favorable net pricing partially offset these declines in year-over-year segment earnings. For the first nine months of 2002, the Commercial and Industrial Group incurred \$3.9 million of restructuring-related transition costs to complete its 2001 restructuring initiatives.

Diagnostics and Information Group

In the Diagnostics and Information Group, segment net sales for the third quarter of 2003 were \$79.5 million, down \$5.5 million, or 6.5%, as compared to \$85.0 million in the third quarter of 2002, including favorable currency of \$1.3 million. The year-over-year sales decline is principally attributable to lower intersegment sales. Increased sales of handheld diagnostics were more than offset by a decline in sales of equipment and large platform-based diagnostics in North America, primarily in products sold through the Dealer Group's tech rep organization. In addition, the Diagnostics and Information Group transferred production of certain European equipment products to the Commercial and Industrial Group, which reduced its intersegment sales for these products.

Despite the decline in year-over-year sales, segment earnings for the

Diagnostics and Information Group for the third quarter of 2003 were \$9.1 million, as compared to \$8.1 million in the third quarter of last year. As a percentage of segment net sales, operating margin in the Diagnostics and Information Group was 11.4%, as compared to 9.5% in the third quarter of 2002. The year-over-year increase in both segment earnings and operating margins primarily reflects the impact of productivity and cost savings of \$1.7 million from the realignment of production capabilities in certain European equipment lines, as well as contributions from new products and favorable net pricing.

In the Diagnostics and Information Group, segment net sales for the first nine months of 2003 were \$231.8 million, down \$23.7 million, or 9.3%, as compared to the comparable period in 2002. As discussed above, the year-over-year sales decline is principally attributable to lower intersegment sales, including the transferring of production of certain European equipment products to the Commercial and Industrial Group.

Segment earnings for the Diagnostics and Information Group for the first nine months of 2003 were \$17.0 million, or 7.3% of segment net sales, as compared to \$17.4 million, or 6.8%, in the first nine months of 2002. Savings of \$6.1 million from productivity, restructuring and cost reduction efforts, as well as benefits from favorable net pricing and new product sales, were more than offset by the combined net margin impact of the lower sales volumes and lower manufacturing cost absorption. In addition, year-over-year segment earnings were lowered by higher costs for pension, other retirement and insurance of

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\$1.2 million. Segment earnings in 2002 were lowered by \$2.6 million for the first-quarter write-down of a receivable related to the closure of auto service centers associated with a major retailer's bankruptcy.

Other  
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Net finance income was \$10.0 million in the third quarter of 2003, down \$.3 million from \$10.3 million in the prior-year period, primarily reflecting higher expenses on flat credit originations volume. For the first nine months of 2003, net finance income was \$31.7 million, compared to \$26.4 million in 2002. Higher credit originations and a more favorable interest-rate environment contributed to the year-over-year increase.

Interest expense was \$5.8 million in the third quarter of 2003, down \$1.1 million from \$6.9 million in the third quarter of 2002, reflecting significantly lower year-over-year debt levels. For the first nine months of 2003, interest expense of \$18.2 million was down \$4.0 million from \$22.2 million in the prior year, reflecting lower average interest rates and significantly lower debt levels due to strong cash flow from operating activities.

Other income (expense)-net was an expense of \$2.4 million for the third quarter of 2003, as compared to an expense of \$2.3 million in the comparable prior-year period. This item includes the impact of all non-operating items such as interest income, minority interests, hedging and exchange rate transaction gains and losses, and other miscellaneous non-operating items. Minority interest expense for the third quarter of 2003 was \$.8 million, as compared to \$.9 million for the third quarter of 2002. For the nine months ended September 27, 2003, and September 28, 2002, minority interest expense totaled \$1.9 million and \$2.0 million, respectively.

Snap-on's effective tax rate of 22.7% for the third quarter of 2003 benefited from the conclusion of prior-years' tax matters. For the first nine months of 2003, Snap-on's overall effective tax rate was 31.9%. Snap-on anticipates that its effective tax rate for the fourth quarter of 2003 will approximate 35%. Snap-on's effective income tax rate was 36.2% in the third quarter of 2002 and 36.0% for the first nine months of 2002.

Exit or Disposal Activities  
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In June 2002, the Financial Accounting Standards Board ("FASB") issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." SFAS No. 146 addresses significant issues regarding the recognition, measurement and

reporting of costs that are associated with exit and disposal activities, including restructuring activities that are accounted for pursuant to the guidance that the Emerging Issues Task Force ("EITF") set forth in EITF Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." SFAS No. 146 nullifies EITF Issue No. 94-3 and requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred, rather than at the date of the entity's commitment to an exit plan. SFAS No. 146 is effective for exit and disposal activities that are initiated after December 28, 2002. Snap-on adopted SFAS No. 146 at the beginning of its 2003 fiscal year.

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In mid-July 2003, Snap-on announced plans to phase out production at two of its U.S. hand tool manufacturing facilities, with a planned completion in 2004. In the company's Form 10-Q for the quarter ended June 28, 2003, Snap-on disclosed that it expected to record approximately \$22 million of costs in the remainder of 2003 associated with these actions, of which approximately \$17 million would be in the third quarter, including approximately \$12 million for accelerated pension and post-retirement medical curtailment expenses, with the remaining costs primarily for severance and transition expenses. Snap-on also disclosed that it expected to incur approximately \$4 million of severance and transition expenses over the phase-out period in 2004.

In the third quarter of 2003, Snap-on recorded restructuring charges of \$14.0 million, including \$13.3 million for costs related to the above-mentioned facility closures. Due to continuing negotiations with the representative unions for these locations, the company was unable to record a portion of the severance and benefits that were previously anticipated to be recorded in the third quarter of 2003. Of the \$13.3 million in facility closure costs recorded in the third quarter, \$11.7 million was for the recognition of accelerated pension and post-retirement medical curtailment expenses, with the remaining costs primarily for severance, equipment transfer and other costs. In addition to the \$13.3 million of costs incurred in the third quarter of 2003, the company now expects that it will record approximately \$4 million to \$5 million of severance and transition costs in the fourth quarter of 2003 and approximately \$8 million to \$9 million of remaining severance and transition costs in the first quarter of 2004 for these actions. Snap-on believes that the anticipated savings from the closure of the two U.S. hand tool facilities will be approximately \$12 million per year, beginning in 2004. In the third quarter of 2003, Snap-on also incurred \$.7 million of costs primarily for severance and facility consolidation or closure costs to effect consolidation initiatives and management realignment actions at various other Snap-on facilities.

For the three months ended September 27, 2003, Snap-on recorded restructuring charges of \$14.0 million, including \$11.7 million for pension and post-retirement medical curtailment costs, as discussed above, \$1.1 million for severance costs to effect consolidation initiatives and management realignment actions, and \$1.2 million for facility consolidation or closure costs. For the nine months ended September 27, 2003, Snap-on recorded restructuring charges of \$19.5 million, including the \$11.7 million for pension and post-retirement medical curtailment costs, \$6.1 million for severance costs to effect consolidation initiatives and management realignment actions, and \$1.7 million for facility consolidation or closure costs. For the three and nine months ended September 27, 2003, restructuring charges of \$13.3 million and \$16.1 million were included in "Cost of goods sold," and \$.7 million and \$3.4 million were included in "Operating expenses," on the accompanying Consolidated Statements of Earnings.

The restructuring reserve usage of \$14.6 million for the quarter ended September 27, 2003, consisted of a non-cash pension and post-retirement medical curtailment charge of \$11.7 million related to the above-mentioned closure of the two hand tool facilities, \$1.6 million for severance payments related to the separation of 207 employees, and \$1.3 million for equipment transfer and other costs. The restructuring reserve usage of \$19.9 million for the nine months ended September 27, 2003, included the \$11.7 million for pension and post-retirement medical curtailment, \$6.5 million for severance

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payments related to the separation of 353 employees, and \$1.7 million for equipment transfer and other costs. During the first quarter of 2003, Snap-on completed its restructuring actions initiated in the fourth quarter of 2002.

The composition of Snap-on's restructuring charge activity for the quarter ended September 27, 2003, was as follows:

(Amounts in millions)	Balance at June 28, 2003 -----	Additions -----	Usage -----	Balance at Sept. 27, 2003 -----
Severance costs	\$ 3.0	\$ 1.1	\$ (1.6)	\$ 2.5
Pension and post- retirement medical	-	11.7	(11.7)	-
Facility consolidation or closure costs	.1	1.2	(1.3)	-
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Total	\$ 3.1 =====	\$ 14.0 =====	\$ (14.6) =====	\$ 2.5 =====

Snap-on has funded and expects to continue to fund the remaining cash requirements of its restructuring activities with cash flows from operations and borrowings under its existing credit facilities. The specific restructuring measures and estimated costs were based on management's best business judgment under prevailing circumstances. If future events warrant changes to the reserve, such adjustments will be reflected as either "Cost of goods sold" or "Operating expenses," as appropriate, in the applicable Consolidated Statements of Earnings.

#### FINANCIAL CONDITION

Snap-on's growth has historically been supported by a combination of cash provided by operating activities and debt financing. Snap-on believes that its cash from operations, coupled with its sources of borrowings, are sufficient to support its anticipated requirements for working capital, capital expenditures and restructuring activities, acquisitions, common stock repurchases and dividend payments. Due to Snap-on's credit rating over the years, external funds have been available at a reasonable cost. As of the date of the filing of this Form 10-Q, Snap-on's long-term debt and commercial paper was rated A2 and P-1 by Moody's Investors Service and A and A-1 by Standard & Poor's. Snap-on believes that the strength of its balance sheet affords the company the financial flexibility to respond to both internal growth opportunities and those available through acquisition.

Cash flow provided by operating activities was \$140.0 million for the first nine months of 2003, including \$54.3 million from a net reduction in accounts receivable and inventories, less accounts payable. Cash flow from operating activities in the first nine months of 2003 included pension plan contributions of \$14 million. In the fourth quarter of 2003, Snap-on may, at its discretion, use cash flow from operating or financing activities to make additional voluntary pension plan contributions. Snap-on also expects that its full-year 2003 pension expense will increase by approximately \$17 million over 2002 levels. Cash flow from operating activities in 2002 was \$125.8 million, including a \$44.0 million payment (\$27.9 million

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net of tax benefit) for the December 2001 resolution of an arbitration matter, partially offset by a net reduction in accounts receivable and inventories, less accounts payable.

Total notes payable and long-term debt was \$335.7 million at the end of the



third quarter of 2003, as compared to \$360.7 million at year-end 2002 and \$407.8 million at the end of the third quarter of 2002. Third-quarter 2003 total debt levels have decreased \$72.1 million from the end of the third quarter of 2002, reflecting Snap-on's increased cash flow. Cash and cash equivalents were \$85.4 million and \$6.9 million at the end of the third quarters of 2003 and 2002.

The ratio of Snap-on's total net debt (defined as total debt less cash and cash equivalents) to total invested capital (defined as total net debt plus shareholders' equity) was 21.2% at the end of the third quarter of 2003, compared to 29.2% at year-end 2002 and 32.1% at the end of the third quarter of 2002. The improvement in this ratio reflects lower debt levels and increased shareholders' equity, including a \$79.1 million increase from foreign currency translation, since December 28, 2002. This ratio may vary from time to time as the company issues commercial paper to fund seasonal working capital requirements and to the extent that the company may use debt to fund acquisitions. Snap-on expects that its total net debt to total capital ratio will target 30% - 35% in the long term; however, in the near term, this ratio is expected to remain below 30%. Total invested capital was \$1,178.4 million, up \$5.7 million from year-end 2002 and down \$70.0 million from the end of the third quarter of 2002.

In June 2003, Snap-on received proceeds of \$5.1 million for the termination of a \$25 million interest rate swap that was a fair value hedge for a portion of its \$200 million, 6.25% long-term notes. The \$5.1 million will be amortized to income using the effective interest rate method over the remaining life of the notes, which mature on August 15, 2011. At the same time, Snap-on entered into a new \$25 million interest rate swap to hedge that same portion of these notes.

Borrowings under commercial paper programs totaled \$25.0 million at the end of the third quarter of 2003 and \$32.9 million at year-end 2002. At September 27, 2003, Snap-on had \$408.0 million of multi-currency revolving credit facilities that provide back-up liquidity for its commercial paper programs. These facilities include a \$200 million, 364-day revolving credit facility with a one-year term-out option that terminates on July 30, 2004. The term-out option allows Snap-on to elect to borrow under the credit facility for an additional year after the termination date. The company's credit facilities also include a five-year, \$208 million revolving credit facility that terminates on August 20, 2005. As of September 27, 2003, and December 28, 2002, Snap-on was in compliance with all covenants of its revolving credit facilities and there were no borrowings under any revolving credit facility. The most restrictive financial covenant requires that Snap-on maintain a total debt to total capital (defined as total debt plus shareholders' equity) ratio that does not exceed 60%. The company's total debt to total capital ratio, computed as defined by the financial covenant, was 26.6% at September 27, 2003, and 30.3% at December 28, 2002. Snap-on also has an unused committed \$20 million bank line of credit that expires August 1, 2004.

At September 27, 2003, Snap-on had cash and cash equivalents of \$85.4 million and approximately \$403.0 million of unused available debt capacity under the terms of its revolving credit facilities and committed bank line of credit.

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Working investment (defined as current accounts receivable - net plus inventories less accounts payable) as of September 27, 2003, was \$751.0 million, down \$4.2 million from the \$755.2 million as of year-end 2002, despite an increase of \$50.1 million from currency translation effects. The working investment measure is used by Snap-on in assessing management performance and effectiveness related to working capital.

Current accounts receivable-net at the end of the third quarter of 2003 was \$561.2 million, up \$5.0 million from year-end 2002 levels, including an increase of \$32.7 million from currency translation, and up \$13.9 million from the third quarter of 2002. As of the end of the third quarter of 2003, days sales outstanding improved to 96 days from 98 days for the comparable prior-year period. Additionally, allowances for doubtful accounts increased from \$41.2 million at year-end 2002 to \$45.6 million at the end of the third quarter of 2003, including an increase of \$2.0 million from currency translation.

Inventories totaled \$365.2 million at the end of the third quarter of 2003, down \$40.7 million from the end of the third quarter of 2002, including a \$32.9

million increase from currency translation. Inventories at September 27, 2003, were down \$4.7 million from year-end 2002 levels, including an increase of \$24.8 million from currency translation. The inventory change in the first nine months of 2003 reflects Snap-on's continued focus on improving working investment levels. Inventories accounted for using the first-in, first-out (FIFO) method as of September 27, 2003, and December 28, 2002, approximated 68% and 65% of total inventories, respectively. All other inventories are generally accounted for using the last-in, first-out (LIFO) cost method. As a result of the progress made in reducing its inventory levels, the company's LIFO reserve declined from \$95.8 million at December 28, 2002, to \$89.5 million at September 27, 2003. As compared to the third quarter of 2002, inventory turns have improved from 2.8 turns to 3.3 turns (defined as the current quarter's cost of goods sold annualized, divided by the average of the last four quarter-end's inventory balances).

Capital expenditures of \$18.7 million in the first nine months of 2003 were down from \$37.3 million in the first nine months of 2002, reflecting a more disciplined approach to capital spending that focuses on investment in growth projects while eliminating waste. Investments primarily included new product-related, quality, and cost-reduction capital investments, as well as ongoing replacements of manufacturing and distribution facilities and equipment. Snap-on now anticipates fiscal 2003 capital expenditures will be in the range of \$30 million, of which approximately two-thirds is expected to be used for investments relating to new products, quality enhancement or cost reduction. Capital expenditures in fiscal 2002 totaled \$45.8 million.

Snap-on has undertaken stock repurchases from time to time to offset dilution created by shares issued for employee and dealer stock purchase plans, stock options, and other corporate purposes, as well as to repurchase shares when market conditions are favorable. Snap-on repurchased 300,000 shares of common stock for \$8.1 million under its previously announced share repurchase programs during the first nine months of 2003. As of the end of the third quarter of 2003, Snap-on has remaining availability to repurchase up to an additional \$145.7 million in common stock pursuant to the Board of Directors' authorizations. The purchase of Snap-on common stock is at the company's discretion, subject to prevailing financial and market conditions.

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Snap-on has paid consecutive quarterly cash dividends since 1939. Cash dividends paid totaled \$43.6 million for the first nine months of 2003, as compared to \$41.8 million for the first nine months of 2002.

Snap-on believes that its cash from operations, coupled with its sources of borrowings, are sufficient to support its anticipated requirements for working capital, capital expenditures and continuous improvement activities, acquisitions, common stock repurchases and dividend payments.

Unconsolidated Joint Venture  
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The FASB issued Interpretation ("FIN") No. 46, "Consolidation of Variable Interest Entities" in January 2003. FIN No. 46 provides consolidation guidance for certain variable interest entities ("VIE") in which equity investors of the VIE do not have the characteristics of a controlling interest or do not have sufficient equity at risk for the VIE to finance its activities independently. Variable interests may arise from arrangements such as the company's 50%-owned financial services joint venture, Snap-on Credit LLC ("SOC"), which is accounted for using the equity method. In Snap-on's Form 10-Q for the quarter ended June 28, 2003, the company disclosed that it had completed its evaluation of FIN No. 46 and concluded that Snap-on was not required to consolidate SOC. On October 9, 2003, the FASB postponed the initial implementation date for FIN No. 46, which would have been effective for Snap-on on June 29, 2003, the beginning of its fiscal 2003 third quarter.

The company is evaluating recent guidance from the FASB, the U.S. Securities and Exchange Commission and the accounting profession on the implementation of FIN No. 46, the results of which could alter the company's previously disclosed position on the consolidation of SOC. During the fourth quarter of 2003, Snap-on will continue to evaluate the appropriate accounting for SOC under FIN No. 46. The company will conclude on the impact of the adoption of FIN No. 46 in the

fourth quarter of fiscal 2003, provided that FIN No. 46 becomes effective for Snap-on in that quarter. If it is determined that SOC qualifies as a VIE, then Snap-on may be required to include the assets and liabilities (or some portion thereof) of SOC in its consolidated financial statements as of January 3, 2004, Snap-on's fiscal 2003 year end. See Note 7 for additional information on SOC, including SOC's unaudited summary statements of financial condition as of September 30, 2003, and December 31, 2002, and SOC's unaudited summary results of operations for the three and nine months ended September 30, 2003, and September 30, 2002.

#### OTHER MATTERS

For a discussion of recent accounting pronouncements, see Note 2.

#### CRITICAL ACCOUNTING POLICIES

Snap-on's disclosures of its critical accounting policies, which are contained in its Annual Report on Form 10-K for the year ended December 28, 2002, have not materially changed since that report was filed.

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### SNAP-ON INCORPORATED MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

#### OUTLOOK

Snap-on will continue to emphasize the consistent and widespread application of its Driven to Deliver(TM) strategic framework, including the implementation of performance improvement initiatives. The company remains committed to seeking opportunities for process improvements that will enhance competitiveness and customer responsiveness throughout its global organization.

Snap-on expects to record in the fourth quarter of 2003 approximately \$4 million to \$5 million of costs associated with the previously announced closing of two U.S. hand tool manufacturing facilities, primarily for severance and transition expenses. Snap-on also expects to record approximately \$8 million to \$9 million of additional severance and transition costs for these closures in the first quarter of 2004. Savings from these actions are expected to be approximately \$12 million annually, beginning in 2004. In addition, Snap-on also expects that it will incur between \$2 million and \$4 million of costs in the fourth quarter of 2003 for other continuous improvement actions.

For the remainder of the year, Snap-on expects continued steady growth in demand for tools and handheld diagnostics by vehicle-service technicians. Additionally, while there are indications of improving trends in the overall general economy, these have not yet been reflected in sales improvements of equipment in the industrial and capital goods sectors in which Snap-on participates. As a result of its nine-month results and these marketplace assumptions, Snap-on expects full-year 2003 reported earnings to be in a range of \$1.50 to \$1.55 per diluted share.

Safe Harbor: Statements in this document that are not historical facts, including statements (i) that include the words "expects," "believes," "anticipates," or similar words that reference Snap-on or its management; (ii) specifically identified as forward-looking; or (iii) describing Snap-on's or management's future outlook, plans, estimates, objectives or goals, are forward-looking statements. Snap-on or its representatives may also make similar forward-looking statements from time to time orally or in writing. Snap-on cautions the reader that these statements are subject to risks, uncertainties or other factors that could cause (and in some cases have caused) actual results to differ materially from those described in any such statement.

Those important factors include the validity of the assumptions and bases set forth above and the timing and progress with which Snap-on can continue to achieve savings from its cost reduction and other Operational Fitness initiatives; Snap-on's capability to retain and attract dealers and effectively implement new programs; its ability to capture new business; the success of new products and other Profitable Growth initiatives; Snap-on's ability to withstand external negative factors including terrorist disruptions on business; changes in trade, monetary and fiscal policies, regulatory reporting requirements, laws and regulations, or other activities of governments or their agencies, including

military actions and such aftermath that might occur; disruption arising from planned facility closures, Snap-on's ability to grow the U.S. dealer network; differences between the actual and estimated return on pension plan assets; and the absence of significant changes in inflation, the current competitive

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

environment, energy supply or pricing, legal proceedings, supplier disruptions, currency fluctuations or the material worsening of economic and political situations around the world.

These factors may not constitute all factors that could cause actual results to differ materially from those discussed in any forward-looking statement. Snap-on operates in a continually changing business environment and new factors emerge from time to time. Snap-on cannot predict such factors nor can it assess the impact, if any, of such factors on Snap-on's financial position or its results of operations. Accordingly, forward-looking statements should not be relied upon as a prediction of actual results. Snap-on disclaims any responsibility to update any forward-looking statement provided in this document.

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Item 3: Quantitative and Qualitative Disclosures About Market Risk

Market, Credit and Economic Risks  
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Market risk is the potential economic loss that may result from adverse changes in the fair value of financial instruments. Snap-on is exposed to market risk from changes in both foreign currency exchange rates and interest rates. Snap-on monitors its exposure to these risks and attempts to manage the underlying economic exposures through the use of financial instruments such as forward exchange contracts and interest rate swap agreements. Snap-on does not use derivative instruments for speculative or trading purposes. Snap-on's broad-based business activities help to reduce the impact that volatility in any particular area or related areas may have on its operating earnings as a whole. Snap-on's management takes an active role in the risk management process and has developed policies and procedures that require specific administrative and business functions to assist in the identification, assessment and control of various risks.

**FOREIGN CURRENCY RISK MANAGEMENT:** Snap-on has significant international operations. Foreign exchange risk exists to the extent that Snap-on has payment obligations or receipts denominated in currencies other than the functional currency. To manage these exposures, Snap-on identifies naturally offsetting positions and then purchases hedging instruments in an attempt to protect the residual net anticipated exposures. For additional information, refer to Note 9.

**INTEREST RATE RISK MANAGEMENT:** Snap-on's interest rate risk management policies are designed to reduce the potential volatility of earnings that could arise from changes in interest rates. Through the use of interest rate swaps, Snap-on aims to better manage funding costs of the differing maturities and interest rate structures of Snap-on's assets and liabilities. For additional information, refer to Note 9.

Snap-on utilizes a Value-at-Risk ("VAR") model to determine the potential one-day loss in the fair value of its interest rate and foreign exchange-sensitive financial instruments from adverse changes in market factors. The VAR model estimates were made assuming normal market conditions and a 95% confidence level. Snap-on's computations are based on the inter-relationships among movements in various currencies and interest rates (variance/co-variance technique). These inter-relationships were determined by observing interest rate and foreign currency market changes over the preceding quarter.

The estimated maximum potential one-day loss in fair value, calculated using the VAR model, at September 27, 2003, was \$1.3 million on interest rate-sensitive financial instruments and \$.6 million on foreign currency-sensitive financial instruments. The VAR model is a risk management tool and does not purport to represent actual losses in fair value that will be incurred by Snap-on, nor does it consider the potential effect of favorable changes in market factors.

**CREDIT RISK:** Credit risk is the possibility of loss from a customer's failure to make payments according to contract terms. Prior to granting credit, each customer is evaluated, taking into consideration the borrower's financial condition, collateral, debt-servicing capacity, past payment experience, credit bureau information, and other financial and qualitative factors that may affect the borrower's ability to repay. Specific credit reviews and standard industry credit scoring models are used in performing this evaluation. Loans that have been granted are typically monitored through an asset-quality-review process that closely monitors past due accounts and initiates collection actions when appropriate. In addition to credit risk exposure from its on-balance-sheet receivables, Snap-on also has credit risk exposure for certain loans that SOC originated with recourse provisions against Snap-on. At September 27, 2003, \$27.4 million of loans originated by SOC have a recourse provision against Snap-on if the loans become more than 90 days past due. For additional information on SOC, refer to Note 7.

**ECONOMIC RISK:** Economic risk is the possibility of loss resulting from economic instability in certain areas of the world. Snap-on continually monitors its exposure in these markets. Snap-on's Commercial and Industrial Group includes a Bahco Group AB hand-tool manufacturing facility in Argentina with net assets of approximately \$9.7 million as of September 27, 2003. Due to economic instability in Argentina, Snap-on resized its operations there in 2001, and Snap-on will continue to assess Argentina's economic situation to determine if any future actions or impairment write-downs are warranted.

As a result of the above market, credit and economic risks, net income and revenues in any particular period may not be representative of full-year results and may vary significantly from year to year and from quarter to quarter. Inflation has not had a significant impact on the company.

#### Item 4: Controls and Procedures

(a) Disclosure Controls and Procedures. The company's management, with the participation of the company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this report. Based on such evaluation, the company's Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, the company's disclosure controls and procedures are effective in recording, processing, summarizing and reporting, on a timely basis, information required to be disclosed by the company in the reports that it files or submits under the Exchange Act.

(b) Internal Control Over Financial Reporting. There have not been any changes in the company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal quarter to which this report relates that have materially affected, or are reasonably likely to materially affect, the company's internal control over financial reporting.

## PART II. OTHER INFORMATION

#### Item 6. Exhibits and Reports on Form 8-K

##### Item 6(a): Exhibits

- |              |   |
|--------------|---|
| Exhibit 10.1 | Snap-on Incorporated Deferred Compensation Plan (as amended through August 21, 2003)  |
| Exhibit 10.2 | Amended and Restated 364-Day Credit Agreement between the Corporation and Citigroup Global Markets, Inc., Banc One Capital Markets, Inc., Citibank N.A. and Bank One N.A. |

Exhibit 12 Computation of Ratio of Earnings to Fixed Charges.

Exhibit 31.1 Certification of Chief Executive Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as amended.

Exhibit 31.2 Certification of Principal Financial Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as amended.

Exhibit 32.1 Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. This certification accompanies the issuer's Quarterly Report on Form 10-Q and is not filed as provided in SEC Release Nos. 33-8212, 34-47551 and IC-25967.

Exhibit 32.2 Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. This certification accompanies the issuer's Quarterly Report on Form 10-Q and is not filed as provided in SEC Release Nos. 33-8212, 34-47551 and IC-25967.

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Item 6(b): Reports on Form 8-K Filed During the Reporting Period

During the third quarter of 2003, Snap-on reported on Form 8-K the following:

Date Filed	Date of Report	Item
July 23, 2003	July 23, 2003	Snap-on furnished a press release entitled "Snap-on Reports \$.38 in EPS for the Second Quarter; Results in line with recent outlook; Announces additional actions to enhance performance."

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SIGNATURES

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

SNAP-ON INCORPORATED

Date: October 29, 2003 /s/ Martin M. Ellen

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 Martin M. Ellen, Principal Financial Officer,  
 Chief Financial Officer and  
 Senior Vice President - Finance

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EXHIBIT INDEX

Exhibit No.	Exhibit
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SNAP-ON INCORPORATED  
DEFERRED COMPENSATION PLAN

(as amended through August 21, 2003)

Section 1. Establishment and Purposes

1.1 Establishment. Snap-on Incorporated established effective as of April 1, 1986, a deferred compensation plan for executives as described herein, known as the "SNAP-ON INCORPORATED DEFERRED COMPENSATION PLAN" (hereinafter called the "Plan"). Snap-on Incorporated hereby amends the Plan effective August 21, 2003.

1.2 Purposes. The purposes of this Plan are to (i) enable the Corporation to attract and retain persons of outstanding competence, (ii) provide a means whereby certain amounts payable by the Corporation to selected executives may be deferred to some future period and to provide such executives with a means to have deferred amounts treated as if invested in the Corporation's stock, thereby aligning their interests more closely with the interests of shareholders and (iii) effective July 1, 2001, provide a matching credit by the Corporation to certain elected officers of the Corporation and to provide such elected officers with alternatives as to the manner in which annual adjustments are made to their credited matching accounts. The Plan is intended to constitute an unfunded plan primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees.

Section 2. Definitions

2.1 Definitions. Whenever used herein, the following terms shall have the meanings set forth below:

(a) "Board" means the Board of Directors of the Corporation.

(b) "Cause" means that prior to a Participant's Termination of Employment, he shall have (i) engaged in any act of fraud, embezzlement or theft in connection with his duties as an executive or in the course of employment with the Corporation or its subsidiaries; (ii) wrongfully disclosed any secret process or confidential information of the Corporation or its subsidiaries; or (iii) engaged in any Competitive Activity; and in any such case the act shall have been determined to have been materially harmful to the Corporation. A Participant's employment may not be terminated for Cause prior to the receipt by the Participant of a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters (3/4) of the entire membership of the Board at a meeting of the Board called and held for the purpose of considering such termination (after reasonable notice to the Participant and an opportunity for the Participant, together with the Participant's counsel, to be heard before the Board) finding that the Participant was guilty of conduct set forth in the definition of Cause, and specifying the particulars thereof in detail. In the event of a dispute regarding whether the Participant's employment has been terminated for Cause, no claim by the Corporation that Cause exists shall be given effect unless the Corporation establishes by clear and convincing evidence that Cause exists.

(c) "Committee" means the Organization and Executive Compensation Committee of the Board or, as to compensation matters in respect of which it has authority, any other committee of the Board or director or officer of the Corporation that has authority of the Organization and Executive Compensation Committee of the Board relating to compensation matters.

(d) "Common Stock" means the common stock, par value \$1.00 per share, of the Corporation.

(e) "Compensation" means the gross Salary and Incentive Compensation payable to a Participant during a given Year and Other Compensation payable to a Participant during a given Year.

(i) Salary. "Salary" means all regular, basic compensation, before reduction for amounts deferred pursuant to this Plan or any other plan of the Corporation, payable in cash to a Participant for services during the Year in question, exclusive of any bonuses or incentive compensation, special fees or awards, allowances, or amounts designated by the



Corporation as payments toward or reimbursement of expenses.

(ii) Incentive Compensation. "Incentive Compensation" means the annual Incentive Compensation Plan payable in cash by the Corporation to a Participant in the Year in question.

(iii) Other Compensation. "Other Compensation" means other compensation payable in cash and/or Common Stock or other property by the Corporation to a Participant in the Year in question, including without limitation compensation payable under the Amended and Restated Snap-on Incorporated 2001 Incentive Stock and Awards Plan, as amended, if the award of such compensation provides that the Participant may defer the compensation.

(iv) Match Compensation. "Match Compensation" means Salary and Incentive Compensation that a Participant eligible to receive matching credits under Section 5 would have otherwise received in the Year in question, but for such amounts being deferred pursuant to this Plan.

(f) "Competitive Activity" shall mean the Participant's participation without the written consent of the Board in the management of any business enterprise which manufactures or sells any product or service competitive with any product or service of the Corporation or its subsidiaries. Competitive Activity shall not include the ownership of less than five (5) percent of the securities in any enterprise and exercise of any ownership rights related thereto.

(g) "Corporation" means Snap-on Incorporated, a Delaware corporation.

(h) "Fair Market Value" means the closing price of Common Stock on the New York Stock Exchange on any particular date or, if no closing price is available on that date, then the closing price on the immediately succeeding business day on which there is a closing price; provided, however, that for purposes of Section 17, Fair Market Value shall mean the closing price of the Common Stock on the New York Stock Exchange on the date of the Change of

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Control (as defined therein) or, if higher, the highest price per share of Common Stock paid in the transaction giving rise to the Change of Control.

(i) "Growth Increment" means the amount of interest earned on a Participant's deferred amounts in the Participant's Cash Account (as defined in Section 6.1(a)).

(j) "Participant" means an individual eligible to participate in the Plan pursuant to Section 3.1.

(k) "Retirement" means that (1) a Participant retires or is retired from the employ of the Corporation and its subsidiaries (i) on or after attaining age sixty-five (65) years or (ii) on or after attaining age fifty (50) years if the Participant has completed ten or more years of continuous employment, as defined in the Snap-on Incorporated Retirement Plan; (2) a Participant retires or is retired from the employ of the Corporation and its subsidiaries because of total and permanent disability; or (3) the Committee determines by resolution that a Participant shall be deemed to have retired from the employ of the Corporation and its subsidiaries for purposes of the Plan

(l) "Termination of Employment" means (i) that a Participant has terminated the Participant's employment with the Corporation and its subsidiaries for any reason other than Retirement or Death; or (2) that the Corporation and its subsidiaries have terminated the Participant's employment with the Corporation and its subsidiaries for any reason other than Retirement or Death. Termination of Employment does not include a Participant's change in status from full-time employment to part-time employment.

(m) "Year" means a calendar year.

2.2 Gender and Number. Except when otherwise indicated by the context, any masculine terminology used herein also shall include the feminine gender, and the definition of any term herein in the singular also shall include the plural.

### Section 3. Eligibility and Participation

3.1 Eligibility. The Plan is primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees. Subject to the preceding sentence, the following persons shall be eligible to participate in the Plan:

- (a) the elected officers and appointed officers of the Corporation;
- (b) the elected officers and appointed officers of Snap-on Tools Company LLC;
- (c) any other U.S. employee of the Corporation or any direct or indirect subsidiary of the Corporation whose employment grade is Grade 37 or higher (or the equivalent of Grade 37 or higher, as determined by the Chief Executive Officer); and
- (d) any other employee of the Corporation or any direct or indirect subsidiary of the Corporation designated by the Chair of the Committee or by the Chief Executive Officer of the Corporation from time to time.

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3.2 Ceasing Eligibility. In the event a Participant no longer meets the requirements for participation in this Plan, he shall become an inactive Participant. An inactive Participant shall retain all rights described under this Plan, except the right to make any further deferrals and the right to receive any further matching credits, until the time that he again meets the eligibility requirements of Section 3.1 (and, if applicable, Section 5.1).

Section 4. Election to Defer

4.1 Deferral Election. (a) Subject to the following provisions, a Participant irrevocably may elect, by written notice to the Corporation, to defer all or a percentage of annual Salary, Incentive Compensation, or both Salary and Incentive Compensation.

(i) With respect to Salary deferrals, the deferral percentage elected shall be applied to the Participant's Salary for each pay period of the Year to which the deferral election applies, and the deferral election must be made before the last business day of the Year immediately preceding the Year for which such deferral election applies.

(ii) With respect to Incentive Compensation deferrals, the deferral percentage elected shall apply only to the Participant's Incentive Compensation payable with respect to service performed in the Year in which the deferral election is made, and the deferral election must be made before the last business day of such Year.

(b) An individual who becomes a Participant at or after the beginning of the Year may irrevocably elect, by written notice to the Corporation, to defer all or a percentage of (i) the annual Salary earned by such Participant for such Year after such election, if such election is made within thirty (30) days after becoming a Participant, and (ii) the pro rata share of the Participant's Incentive Compensation, if any, payable with respect to service performed during such Year, if such election is made before the last business day of such Year.

(c) If so provided in an award of Other Compensation, and subject to such restrictions and conditions as may be set forth in the award or imposed by the Corporation, a Participant irrevocably may elect, by written notice to the Corporation, to defer all or a percentage of such Other Compensation.

(d) In connection with a Participant's deferral election pursuant to this Section 4.1 relating to Compensation that the Participant would have otherwise received in a given Year, and thereafter from time to time during that Year as determined by the Participant subject to any rules established by the Committee pursuant to Section 11.1, the Participant shall provide written direction to the Corporation indicating the portion of the Participant's Compensation that the Participant would have otherwise received in that Year that should be (1) credited to the Participant's Cash Account, except to the extent Section 6.5 would require a credit of some or all of the Compensation to the Participant's Share Account (as defined in Section 6.1(a)); (2) credited to the Participant's Share Account; or (3) for deferral elections made on or after September 1, 2003, credited to the Participant's Mutual Fund Account (as defined in Section 6.1(a)), except to the extent Section 6.5 would require a credit of some or all of the Compensation to the Participant's Share Account. Each written direction

shall become effective immediately upon receipt by the Corporation for Compensation otherwise payable after such

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date subject to rules that the Committee establishes pursuant to Section 11.1. A Participant who has elected to defer any of the Participant's Compensation to the Mutual Fund Account shall further elect which one or more of the investment funds, from those designated from time to time by the Committee as available to Participants under the Plan (each a "Reference Fund" and, collectively, the "Reference Funds"), shall be used for purposes of crediting hypothetical investment gains or losses to the Participant's Mutual Fund Account, and the Participant shall elect the percentage of the Participant's Compensation that is to be deemed invested in each elected Reference Fund. To the extent a Participant fails to elect an account to which to credit Compensation for a Year pursuant to this Section 4.1(d), the Participant's Compensation for such Year shall be credited to the Participant's Cash Account, except to the extent Section 6.5 would require a credit of some or all of the Compensation to the Participant's Share Account.

4.2 Deferral Period (a) The first time a Participant makes an election pursuant to this Section 4.1 relating to Compensation that the Participant would have otherwise received in a given Year, the Participant irrevocably shall select a single deferral period for all Compensation that the Participant would have otherwise received in that Year ("Year Deferred Amounts"). The deferral period shall be for a specified number of Years or until a specified date. The earliest a deferral period may end is the first January 1 following the Year in which the Participant would have otherwise received the Compensation.

Respecting deferral elections made prior to September 1, 2003, a Participant shall modify any such prior elections to ensure that going forward all Year Deferred Amounts subject to such prior elections have a single deferral period for Year Deferred Amounts for each Year in question. The Committee shall establish the appropriate procedures and time frame to effect the required modifications.

(b) However, notwithstanding the deferral period specified, payments of Year Deferred Amounts shall begin following the earliest to occur of:

- (i) Death,
- (ii) Subject to subsection (c), Retirement, or
- (iii) Subject to subsection (d), Termination of Employment.

(c) A Participant may elect to have the deferral period for Year Deferred Amounts continue beyond termination of employment due to Retirement by so indicating when the Participant selects, or modifies pursuant to Section 4.4, the Participant's deferral period for a the Year Deferred Amounts. At such time, the Participant may elect one or more successive post-retirement deferral periods of up to one (1) Year each, but in no event may the aggregate of these successive post-retirement deferral periods and any annual installments elected pursuant to Section 4.3 exceed twenty-five (25) years beyond termination of employment due to Retirement.

(d) Effective January 1, 2001, a Participant may elect to have the deferral period for Year Deferred Amounts continue beyond Termination of Employment with the Corporation, but only if such employment was terminated at the initiative of the Corporation for reasons other than for Cause. A Participant may exercise this one-time election by so indicating when the Participant selects, or modifies pursuant to Section 4.4, the Participant's deferral period for the

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Year Deferred Amounts. At such time, the Participant may elect one or more post-termination deferral periods of up to one (1) Year each, but in no event may the aggregate of these successive post-retirement deferral periods and any annual installments elected pursuant to Section 4.3 exceed twenty-five (25) years beyond Termination of Employment initiated by the Corporation for reasons other than Cause.

4.3 Manner of Payment Election. At the same time as an election is made pursuant to Section 4.1, or is modified pursuant to Section 4.4, the Participant

also may elect to have Year Deferred Amounts paid either in a lump sum or in up to twenty-five (25) substantially equal annual installments; provided, however, at such time a Participant that elects to receive payments in substantially equal annual installments may also specify a date within the installment period to receive all then remaining Year Deferred Amounts in a lump sum.

4.4 Modification. A Participant may change the manner in which Year Deferred Amounts will be paid and/or the date such payments are to commence by written election made prior to the Year in which such payments are to commence. A Participant may not make any modification pursuant to this Section 4.4 in or after the Year payments commence respecting the deferral election in question.

## Section 5. Matching Credits

5.1 Effective Date and Eligibility. Effective July 1, 2001, the Corporation shall credit matching credits under this Plan only to Participants described in this Section at such time and in such amounts as provided in Section 5.2. Notwithstanding anything to the contrary in the Plan, only those Participants who are also actively participating in the cash balance formula in the Snap-on Incorporated Supplemental Retirement Plan for Officers, as amended from time to time, and are making deferrals under this Plan, or into the Snap-on Incorporated Savings Plan, for the Year shall be eligible for a matching credit by the Corporation for a Year for their benefit under this Plan.

5.2 Time and Amount of Matching Contributions. The Corporation shall credit matching credits under this Plan during each calendar quarter for the benefit of each eligible Participant. The amount of the matching credit for each calendar quarter for the benefit of an eligible Participant will be an amount equal to the excess of:

(a) the lesser of (i) the product of the Participant's Match Compensation for the calendar quarter multiplied by fifty percent (50%), or (ii) three percent (3%) of the Participant's Compensation (other than Other Compensation) for such calendar quarter, over

(b) the actual matching contribution made by the Corporation for the benefit of such Participant for such calendar quarter under the Snap-on 401(k) Plan.

### 5.3 Deferral Period.

(a) The deferral period selected for Year Deferred Amounts by a Participant under Section 4.2 shall also apply to the matching credits credited under Section 5 with respect to those Year Deferred Amounts.

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(b) However, notwithstanding the deferral period specified, payments of matching credits shall begin following the earliest to occur of:

(i) Death,

(ii) Subject to Section 4.2(c), Retirement, or

(iii) Subject to section 4.2(d), Termination of Employment.

5.4 Manner of Payment Election. A Participant's elected manner of payment for Year Deferred Amounts under Section 4.3 shall also apply to the matching credits credited under Section 5 with respect to those Year Deferred Amounts.

5.5 Modification. A Participant's change in the manner in which Year Deferred Amounts will be paid and/or the date such payments are to commence under Section 4.4 will apply to the associated matching credits.

## Section 6. Accounts

### 6.1 Participant Accounts.

(a) Deferred Compensation Accounts. The Corporation shall establish and maintain individual bookkeeping accounts in respect of deferrals made by a Participant consisting of a "Cash Account", a "Share Account" and a "Mutual Fund Account". A Participant shall have separate accounts for Year Deferred Amounts with different deferral periods under Section 4.2 and/or manners of payment under Section 4.3.

(i) If a Participant has elected pursuant to Section 4.1(d) to have any portion of the Participant's Year Deferred Amounts credited to the Participant's Cash Account, then the Participant's Cash Account shall be credited with the dollar amount of any amount deferred and to be credited to the Participant's Cash Account as of the date the amount deferred otherwise would have become due and payable.

(ii) If a Participant has elected pursuant to Section 4.1(d) to have any portion of the Participant's Year Deferred Amounts credited to the Participant's Share Account, then the dollar amount deferred and to be credited to the Participant's Share Account shall be converted into deferred shares of Common Stock to be credited to the Participant's Share Account as of the date the amount deferred otherwise would have become due and payable. In such event, there shall be credited to the Participant's Share Account as of such date a number of units ("Share Units") equal to the dollar amount of any amount deferred divided by the Fair Market Value as of the payroll date.

(iii) If a Participant has elected pursuant to Section 4.1(d) to have any portion of the Participant's Year Deferred Amounts credited to the Participant's Mutual Fund Account, then based on the dollar amount deferred shares (including fractional shares) of the appropriate Reference Fund(s) shall be credited to the Participant's Mutual Fund Account ("Mutual Fund Shares"), with the number of Mutual Fund Shares to be credited determined in accordance with administrative procedures and regulations that the

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Committee establishes from time to time. A Participant's Mutual Fund Account may consist of any one or more of the Reference Funds, in such proportion as the Participant has elected pursuant to 4.1(d) in connection with the first deferral election made respecting a given Year, and this proportion may not be modified, except as permitted by the Committee.

(b) Matching Credits Accounts. The Corporation shall establish and maintain an individual bookkeeping account in respect of matching credits by the Corporation for the benefit of an eligible Participant to be known as a "Matching Account". A Participant's Matching Account shall be credited with a number of Share Units equal to the dollar amount of matching credits under Section 5 for the Participant's benefit divided by the Fair Market Value on the date the Corporation credits the matching credits.

6.2 Growth Increments on Cash Accounts. The Corporation will provide the opportunity for Growth Increments to be earned on the balance of a Participant's Cash Accounts. The Committee will have the authority to select, from time to time, the appropriate interest rate to apply to such amounts. Each Cash Account shall be credited on the first day of each month with a Growth Increment computed on the daily balance in the Cash Account during the immediately preceding month. The Growth Increment shall be the sum of the daily interest earned, compounded monthly by the interest rate selected by the Committee.

### 6.3 Changing Accounts.

(a) Subject to applicable corporate policies and Section 6.3(g), from time to time a Participant may convert all or a portion of any Cash Account balance of the Participant into deferred shares of Common Stock credited to the Participant's corresponding Share Account by written notice to the Corporation. In such event, and effective as of the close of business on the trading day on the date that the Corporation receives such notice, if the notice is received before the close of trading on that day, otherwise as of the close of business on the immediately succeeding trading day (the "Effective Date"), (i) there shall be credited to the Participant's Share Account a number of Share Units equal to the number of Share Units specified in the notice or, if such notice specifies a dollar amount, a number of Share Units equal to such dollar amount divided by the Fair Market Value as of the Effective Date; and (ii) the Participant's Cash Account shall be debited in an amount equal to the number of Share Units credited to the Share Account multiplied by the Fair Market Value as of the Effective Date.

(b) Subject to applicable corporate policies, from time to time a Participant may convert all or a portion of any Cash Account balance of the Participant into an amount to be credited to the Participant's corresponding Mutual Fund Account by giving written notice to the Corporation, which notice

shall specify the dollar amount to be credited to each of the Reference Funds. In such event, and effective as of the Effective Date, (i) there shall be credited to the Participant's Mutual Fund Account Mutual Fund Shares for the applicable Reference Funds equal to the dollar amount being converted divided by the net asset value of the applicable Mutual Fund Shares as of the close of trading on the Effective Date ("Effective Date Fund Shares Value"); and (ii) the Participant's Cash Account shall be debited in an amount equal to the dollar amount being converted.

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(c) Subject to applicable corporate policies and Section 6.3(g), from time to time a Participant with a credit balance in a Mutual Fund Account may convert all or a portion of any Mutual Fund Shares credited to the Participant's corresponding Mutual Fund Account into deferred shares of Common Stock credited to the Participant's corresponding Share Account by written notice to the Corporation, which notice shall specify the number of Mutual Fund Shares to be converted and the Reference Fund(s) to which such Mutual Fund Shares correspond or a dollar amount and the Reference Fund(s) to which such dollar amount corresponds. In such event, and effective as of the Effective Date, (i) there shall be credited to the Participant's Share Account a number of Share Units equal to (A) the Effective Date Fund Shares Value of the Mutual Fund Shares specified in the notice divided by the Fair Market Value as of the Effective Date or (B) the dollar amount specified in the notice divided by the Fair Market Value as of the Effective Date; and (ii) the Participant's Mutual Fund Account shall be debited by the number of Mutual Fund Shares specified in the notice or, as the case may be, by the number of Mutual Fund Shares having an Effective Date Fund Shares Value equal to the dollar amount specified in the notice.

(d) Subject to applicable corporate policies, from time to time a Participant with a credit balance in a Mutual Fund Account may convert all or a portion of any Mutual Fund Shares credited to the Participant's corresponding Mutual Fund Account into an amount to be credited to the Participant's corresponding Cash Account by giving written notice to the Corporation, which notice shall specify the number of Mutual Fund Shares to be converted and the Reference Fund(s) to which such Mutual Fund Shares correspond or a dollar amount and the Reference Fund(s) to which such dollar amount corresponds. In such event, and effective as of the Effective Date, (i) there shall be credited to the Participant's Cash Account an amount equal to (A) the Effective Date Fund Shares Value of the Mutual Fund Shares specified in the notice or (B) the dollar amount specified in the notice; and (ii) the Participant's Mutual Fund Account shall be debited by the number of Mutual Fund Shares specified in the notice or, as the case may be, by the number of Mutual Fund Shares having an Effective Date Fund Shares Value equal to the dollar amount specified in the notice.

(e) Subject to applicable corporate policies and Section 6.3(g), from time to time a Participant with a credit balance in a Share Account may convert all or a portion of such balance into an amount to be credited to the Participant's corresponding Cash Account by giving written notice to the Corporation, which notice shall specify the number of Share Units to be converted or a dollar amount. In such event, and effective as of the Effective Date, (i) there shall be credited to the Participant's Cash Account an amount equal to (A) the number of Share Units specified in the notice multiplied by the Fair Market Value as of the Effective Date or (B) the dollar amount specified in the notice; and (ii) the Participant's Share Account shall be debited by the number of Share Units specified in the notice, or, as the case may be, by the number of Share Units having a Fair Market Value as of the Effective Date equal to the dollar amount specified in the notice.

(f) Subject to applicable corporate policies and Section 6.3(g), from time to time a Participant with a credit balance in a Share Account may convert all or a portion of such balance into an amount to be credited to the Participant's corresponding Mutual Fund Account by giving written notice to the Corporation, which notice shall specify the number of Share Units to be converted or a dollar amount and the Share Units or dollar amounts to be credited to each

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of the Reference Funds. In such event, and effective as of the Effective Date, (i) there shall be credited to the Participant's Mutual Fund Account a number of Mutual Fund Shares for the applicable Reference Funds equal to (A) the Fair Market Value of the Share Units as of the Effective Date divided by the Effective Date Fund Shares Value or (B) the dollar amount specified in the

notice divided by the Effective Date Fund Shares Value; and (ii) the Participant's Share Account shall be debited by the number of Share Units specified in the notice, or, as the case may be, by the number of Share Units having a Fair Market Value as of the Effective Date equal to the dollar amount specified in the notice.

(g) A Participant who is subject to Section 16 of the Securities Exchange Act of 1934, as amended, may make transfers of existing balances pursuant to Sections 6.3(a), (c), (e) or (f) if the transfer is effected pursuant to an election made at least six (6) months after the date of the Participant's most recent opposite-way election making a transfer of existing balances pursuant to Sections 6.3(a), (c), (e) or (f) or existing account balances out of or into a Common Stock fund under any other Corporation plan, or more frequently as permitted by the Committee.

6.4 Cash Dividends. Whenever cash dividends are paid by the Corporation on outstanding Common Stock, as of the payment date for the dividend, there shall be credited between a Participant's Share Account and Matching Account (if any, and then only to the extent then maintained in Share Units), as appropriate, additional Share Units equal to the amount per share of the cash dividend on the Common Stock multiplied by the number of Share Units credited to the Participant's Share Account, if any, and Matching Account (if any, and then only to the extent then maintained in Share Units) as of the close of business on the record date for the dividend divided by the Fair Market Value of the Common Stock on the date of payment of the dividend.

6.5 Deferral of Other Compensation. Subject to the authority of the Committee, the Corporation's Chief Executive Officer may approve the terms of any agreements between the Corporation and any Participant relating to the deferral of Other Compensation where, but for the Participant's deferral, the Participant would have received shares of Common Stock if such officer determines that such terms are appropriate to carry out the purposes of this Plan and the award of Other Compensation. Without limitation, the Corporation may enter into an agreement with a Participant relating to such a deferral under which (i) (A) there shall be credited to the Participant's Share Account a number of Share Units equal to the number of shares of Common Stock the receipt of which the Participant has deferred which credit shall be made as of the date the Other Compensation deferred otherwise would have become due and payable or (B) Share Units shall be credited to the Participant's Share Account only at a future date, such as the date that one or more conditions to vesting have been satisfied; (ii) a credit of Share Units may be made subject to such restrictions as are imposed under the terms of the award of Other Compensation (or restrictions substantially equivalent to those to which shares of Common Stock would have been subject but for the deferral), including without limitation forfeiture under certain circumstances and restrictions on the Participant's rights to convert such Share Units pursuant to this Section 6.5; and (iii) if the terms of the award of Other Compensation require a Participant to deliver cash and/or shares of Common Stock to the Corporation to exercise or otherwise receive the benefit of such Other Compensation, then in lieu of delivering such cash and/or Common Stock, there may be a debit to the Participant's Cash Account in an amount equal to the amount of cash that the Participant otherwise would have delivered and/or a debit to

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the Participant's Share Account in an amount equal to the number of shares of Common Stock that the Participant otherwise would have delivered, in each case to the extent of any credit balance in such account.

#### 6.6 Earnings Adjustments to Matching Accounts.

(a) Except as provided in Section 6.6(b), a Participant's Matching Account will be adjusted (in the manner provided in Section 6.6(c)) at the end of each Year in an amount which is equal to the net increase (or net decrease as appropriate) in Fair Market Value for the same Year.

(b) Diversification Election. Unless elected by a Participant to the contrary under and subject to this Section 6.6(b), annual earnings adjustments to the Participant's Matching Account shall be determined with reference to Fair Market Value pursuant to Section 6.6(a). A Participant may elect to have the annual earnings adjustments to the Participant's Matching Account be determined with reference to a measure other than Fair Market Value, including the Cash Account, the Mutual Fund Account and any other alternative earnings measure that the Committee approves. Once an election is made under this Section 6.6(b), the

Participant's Matching Account balance shall be converted out of Share Units (using Fair Market Value on the date the election is effective) and shall not be maintained in Share Units again.

For purposes of this Section 6.6(b), a change to the measure used to determine adjustments to a Matching Account of a Participant shall be made at the election of the Participant, but only at the same times, under the same conditions and subject to the same limitations as are allowed or imposed under the Snap-on 401(k) Plan for diversifying the Corporation's matching contribution under such plan out of shares of Common Stock to other permissible investments available under the Snap-on 401(k) Plan. The election provided in this Section 6.6(b) shall be made in writing as directed by the Committee. Earnings adjustments to Matching Accounts after the effective date of an election under this Section 6.6(b) shall be calculated for the Participant's Matching Account with reference to the Participant's duly elected alternative earnings measure.

(c) An eligible Participant's Matching Account shall be credited, or debited, as appropriate, at the end of each Year with (i) a number of Share Units equal to the dollar amount of adjustments determined under Section 6.6(a) divided by the Fair Market Value on the date the Corporation credits such adjustments to the Participant's Matching Account, or (ii) an earnings adjustment calculated as provided in Section 6.6(b) if a qualified election has been made under Section 6.6(b).

6.7 Charges Against Accounts. There shall be charged against a Participant's Cash Account any cash payments (excluding payments for fractional shares) made to the Participant or to his beneficiary in accordance with Section 7. There shall be charged against a Participant's Share Account any distributions made to the Participant or to his beneficiary in respect of the Participant's Share Account in accordance with Section 7. There shall be charged against a Participant's Mutual Fund Account any distributions made to the Participant or to his beneficiary in respect of the Participant's Mutual Fund Account in accordance with Section 7. There shall be charged against a Participant's Matching Account any distributions made to the

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Participant or to his beneficiary in respect of the Participant's Matching Account in accordance with Section 7.

6.8 Terminated Reference Fund. In the event a Reference Fund shall for any reason no longer be available or otherwise appropriate for use under the Plan, including but not limited to considerations of administrative feasibility, the Committee shall determine the aggregate net asset value of the Mutual Fund Shares of the affected Reference Fund in a Participant's Mutual Fund Account. Based on the aggregate net asset value of the Mutual Fund Shares of the affected Reference Fund in the Participant's Mutual Fund Account, the Participant shall redesignate all such amounts to another Reference Fund(s), or to the Participant's Cash Account, to be credited to the Participant's Cash Account in accordance with Section 6.1(a).

#### Section 7. Payment of Deferred and Matching Amounts

##### 7.1 Payment of Deferred and Matching Amounts.

(a) Payment of a Participant's Cash Account balance, including accumulated Growth Increments attributable thereto and dividend credits under Section 6.4, shall be paid in cash commencing within thirty (30) calendar days after the commencement date referred to in Section 4.2 (as may be modified pursuant to Section 4.4). The payments shall be made in the manner selected by the Participant under Section 4.3 or, in the absence thereof, in a lump sum. The amount of each payment shall be equal to a Participant's then distributable Cash Account balance multiplied by a fraction, the numerator of which is one and the denominator of which is the number of installment payments remaining.

(b) Payment of a Participant's Share Account balance shall be paid commencing within thirty (30) calendar days after the commencement date referred to in Section 4.2 (as may be modified pursuant to Section 4.4). Payments in respect of a Share Account balance shall be made in cash in an amount equal to the number of Share Units then payable multiplied by the Fair Market Value on the date of payment; provided, however, that at the election of a Participant, made by written notice to the Corporation delivered not less than five business days before a payment due date, payments in respect of a Share Account may be made solely in Common Stock by converting Share Units into Common Stock on a



one-for-one basis, with payment of fractional shares to be made in cash based upon the Fair Market Value on the date of payment. The payments shall be made in the manner selected by the Participant under Section 4.3 or, in the absence thereof, in a lump sum. The number of Share Units payable at the time of a payment shall be equal to a Participant's then distributable Share Account balance multiplied by a fraction, the numerator of which is one and the denominator of which is the number of installment payments remaining.

(c) Payment of a Participant's Mutual Fund Account balance shall be paid commencing within thirty (30) calendar days after the commencement date referred to in Section 4.2 (as may be modified pursuant to Section 4.4). Payments in respect of a Mutual Fund Account shall be made in cash as set forth below. The payments shall be made in the manner selected by the Participant under Section 4.3 or, in the absence thereof, in a lump sum. The amount of cash payable shall be equal to the aggregate net asset value of the Mutual Fund Shares credited to the Participant's Mutual Fund Account as of the payment date multiplied by a

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fraction, the numerator of which is one and the denominator of which is the number of installment payments remaining.

(d) Payment of a Participant's Matching Account balance shall be paid commencing within thirty (30) calendar days after the commencement date referred to in Section 5.3 (as may be modified pursuant to Section 5.5). Payments in respect of a Matching Account balance maintained in Share Units at the time shall be made in cash in an amount equal to the number of Share Units then payable multiplied by the Fair Market Value on the date of payment; provided, however, that at the election of a Participant, made by written notice to the Corporation delivered not less than five (5) business days before a payment due date, payments in respect of a Matching Account maintained in Share Units at the time may be made solely in Common Stock by converting Share Units into Common Stock on a one-for-one basis, with payment of fractional shares to be made in cash based upon the Fair Market Value on the date of payment. Payments of a Participant's Matching Account balance that is no longer maintained in Share Units shall be in cash in an amount equal to the Matching Account balance plus accumulated adjustments under Sections 6.6(b) and 6.6(c) and dividend credits under Section 6.4. The payments shall be made in the manner selected by the Participant under Section 5.4 or, in the absence thereof, in a lump sum. The number of Share Units payable at the time of a payment shall be equal to a Participant's then distributable Matching Account balance maintained in Share Units multiplied by a fraction, the numerator of which is one and the denominator of which is the number of installment payments remaining.

7.2 Acceleration of Payments. If a Participant dies prior to the payment of all or a portion of his Cash Account, Share Account, Mutual Fund Account and/or Matching Account balances, the balance of any amounts payable shall be paid in a lump sum to the beneficiaries designated under Section 8.

7.3 Financial Emergency. The Committee, in its sole discretion, may alter the timing or manner of payment of Year Deferred Amounts and/or matching amounts in the event that the Participant establishes, to the satisfaction of the Committee, severe financial hardship. In such event, the Committee may:

(a) provide that all, or a portion of, the amount previously deferred by the Participant immediately shall be paid in a lump sum payment,

(b) provide that all, or a portion of, the installments payable over a period of time immediately shall be paid in a lump sum, or

(c) provide for such other installment payment schedules as it deems appropriate under the circumstances, as long as the amount distributed shall not be in excess of that amount which is necessary for the Participant to meet the financial hardship.

Severe financial hardship will be deemed to have occurred in the event of the Participant's impending bankruptcy, a dependent's long and serious illness, or other events of similar magnitude. The Committee's decision in passing on the severe financial hardship of the Participant and the manner in which, if at all, the payment of Year Deferred Amounts or matching credits shall be altered or modified shall be final, conclusive, and not subject to appeal.

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## Section 8. Beneficiary Designation

8.1 Designation of Beneficiary. A Participant shall designate a beneficiary or beneficiaries who, upon the Participant's death, are to receive the amounts that otherwise would have been paid to the Participant. All designations shall be in writing to the Corporation in such form as it requires or accepts and signed by the Participant. The designation shall be effective only if and when delivered to the Corporation during the lifetime of the Participant. The Participant also may change his beneficiary or beneficiaries by a signed, written instrument delivered to the Corporation. If a Participant is married and names someone other than (or in addition to) the Participant's spouse as a beneficiary, then the Participant's spouse must provide a written consent to this beneficiary designation that has been witnessed by a notary public. The payment of amounts shall be in accordance with the last unrevoked written designation of beneficiary that has been signed and delivered to the Corporation.

8.2 Death of Beneficiary. In the event that all of the beneficiaries named in Section 8.1 predecease the Participant, the amounts that otherwise would have been paid to the Participant shall be paid to the Participant's estate, and in such event, the term "beneficiary" shall include his estate.

8.3 Ineffective Designation. In the event the Participant does not designate a beneficiary, or if for any reason such designation is ineffective, in whole or in part, the amounts that otherwise would have been paid to the Participant shall be paid to the Participant's estate, and in such event, the term "beneficiary" shall include his estate.

## Section 9. Rights of Participants

9.1 Contractual Obligation. It is intended that the Corporation is under a contractual obligation to make payments from a Participant's account when due. Payment of account balances payable in cash shall be made out of the general funds of the Corporation as determined by the Board.

9.2 Unsecured Interest. No Participant or beneficiary shall have any interest whatsoever in any specific asset of the Corporation. To the extent that any person acquires a right to receive payments under this Plan, such receipt shall be no greater than the right of any unsecured general creditor of the Corporation.

9.3 Employment. Nothing in the Plan shall interfere with or limit in any way the rights of the Corporation to terminate any Participant's employment at any time, nor confer upon any Participant any right to continue in the employ of the Corporation.

9.4 Participation. No employee shall have a right to be selected as a Participant or, having been so selected, to be selected again as a Participant.

## Section 10. Nontransferability

10.1 Nontransferability. In no event shall the Corporation make any payment under this Plan to any assignee or creditor of a Participant or a beneficiary. Prior to the time of a payment hereunder, a Participant or a beneficiary shall have no rights by way of anticipation or

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otherwise to assign or otherwise dispose of any interest under this Plan nor shall such rights be assigned or transferred by operation of law.

## Section 11. Administration

11.1 Administration. This Plan shall be administered by the Committee. The Committee may from time to time establish rules for the administration of this Plan that are not inconsistent with the provisions of this Plan.

11.2 Finality of Determination. The Committee has sole discretion in interpreting the provisions of the Plan. The determination of the Committee as to any disputed questions arising under this Plan, including questions of construction and interpretation, shall be final, binding, and conclusive upon all persons.

11.3 Expenses. The cost of payments from this Plan and the expenses of administering the Plan shall be borne by the Corporation.

11.4 Action by the Corporation. Any action required or permitted to be taken under this Plan by the Corporation shall be by resolution of the Board, by the duly authorized Committee of the Board, or by a person or persons authorized by resolution of the Board or the Committee.

## Section 12. Amendment and Termination

12.1 Amendment and Termination. The Corporation expects the Plan to be permanent but, since future conditions affecting the Corporation cannot be anticipated or foreseen, the Corporation necessarily must and does hereby reserve the right to amend, modify, or terminate the Plan at any time by action of the Board. Notwithstanding the foregoing, upon the occurrence of a Potential Change of Control (as hereinafter defined) and for a period of six (6) months thereafter, the Plan may not be terminated or amended in a manner adverse to Participants. For purposes of this Section, a "Potential Change of Control" shall be deemed to have occurred if an event set forth in any one of the following shall have occurred:

(i) The Corporation enters into an agreement, the consummation of which would result in the occurrence of a Change of Control;

(ii) The Corporation or any other Person publicly announces an intention to take or consider taking actions that, if consummated, would constitute a Change of Control;

(iii) Any Person becomes the Beneficial Owner, directly or indirectly, of securities of the Corporation representing fifteen percent (15%) or more of either the then outstanding shares of Common Stock or the combined voting power of the Corporation's then outstanding voting securities; or

(iv) The Board adopts a resolution to the effect that, for purposes of this Plan, a Potential Change of Control has occurred.

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Each of "Change of Control," "Person" and "Beneficial Owner" shall have the meaning set forth in Section 17.1.

## Section 13. Applicable Law

13.1 Applicable Law. This Plan shall be governed and construed in accordance with the laws of the State of Wisconsin.

## Section 14. Withholding of Taxes

14.1 Tax Withholding. The Corporation shall have the right to deduct from all contributions made to, or payments made from, the Plan any federal, state, or local taxes required by law to be withheld with respect to such contributions or payments. The Corporation may defer making payments in the form of Common Stock under the Plan until satisfactory arrangements have been made for the payment of any federal, state or local taxes required to be withheld with respect to such payment or delivery. Each Participant shall be entitled to irrevocably elect, prior to the date shares of Common Stock would otherwise be delivered hereunder, to have the Corporation withhold shares of Common Stock having an aggregate value equal to the amount required to be withheld. The value of fractional shares remaining after payment of the withholding taxes shall be paid to the Participant in cash. Shares so withheld shall be valued at Fair Market Value on the date such shares would have otherwise been transferred hereunder.

## Section 15. Notice

15.1 Notice. Any notice required or permitted to be given under the Plan shall be sufficient if in writing and hand-delivered, or sent by a registered or certified mail, and if given to the Corporation, delivered to the principal office of the Corporation. Such notice shall be deemed given as of the date of delivery or, if delivery is made by mail, as of the date shown on the postmark or the receipt for registration or certification.

## Section 16. Common Stock Matters

16.1 Stock Reserved for the Plan. The Corporation shall make available as and when required a sufficient number of shares of Common Stock to meet the needs of the Plan. Shares of Common Stock issued hereunder shall be previously issued shares reacquired and held by the Corporation.

#### 16.2 General Restrictions.

(a) Investment Representations. The Corporation may require any Participant, as a condition of receiving Common Stock under this Plan, to give written assurances in substance and form satisfactory to the Corporation and its counsel to the effect that such person is acquiring the Common Stock for his own account for investment and not with any present intention of selling or otherwise distributing the same, and to such other effects as the Corporation deems necessary or appropriate in order to comply with federal and applicable state securities laws.

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(b) Compliance with Securities Laws. Delivery of Common Stock under the Plan shall be subject to the requirement that, if at any time counsel to the Corporation shall determine that the listing, registration or qualification of the shares of Common Stock upon any securities exchange or under any state or federal law, or the consent or approval of any governmental or regulatory body, is necessary as a condition of, or in connection with, the issuance of shares thereunder, such shares may not be delivered in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained on conditions acceptable to the Committee. Nothing herein shall be deemed to require the Corporation to apply for or to obtain such listing, registration or qualification.

16.3 Effect of Certain Changes in Capitalization. In the event of any Change in Capitalization, a proportionate substitution or adjustment may be made in (a) the aggregate number and/or kind of shares or other property reserved for issuance under the Plan, (b) the number and kind of shares or other property to be delivered under the Plan and (c) the number and kind of shares or other property held in each Participant's Share Account and Matching Account (if any), in each case as may be determined by the Committee in its sole discretion. Such other proportionate substitutions or adjustments may be made as shall be determined by the Committee in its sole discretion. "Change in Capitalization" means any increase, reduction, change or exchange of shares of Common Stock for a different number or kind of shares or other securities or property by reason of a reclassification, recapitalization, merger, consolidation, reorganization, issuance of warrants or rights, stock dividend, stock split or reverse stock split, combination or exchange of shares, repurchase of shares, change in corporate structure or otherwise; or any other corporate action, such as declaration of a special dividend, that affects the capitalization of the Corporation.

#### Section 17. Change of Control

17.1 Change of Control. For purposes of this Plan, a "Change of Control" shall be deemed to have occurred on the first to occur of any one of the events set forth in the following paragraphs:

(a) any Person is or becomes the Beneficial Owner, directly or indirectly, of securities of the Corporation (not including in the securities Beneficially Owned by such Person any securities acquired directly from the Corporation or its Affiliates) representing 25% or more of either the then outstanding shares of Common Stock or the combined voting power of the Corporation's then outstanding voting securities, excluding any Person who becomes such a Beneficial Owner in connection with a transaction described in clause (i) of paragraph (c) below; or

(b) the following individuals cease for any reason to constitute a majority of the number of directors then serving: individuals who, on January 25, 2002, constitute the Board and any new director (other than a director whose initial assumption of office is in connection with an actual or threatened election contest, including but not limited to a consent solicitation, relating to the election of directors of the Corporation as such terms are used in Rule 14a-11 of Regulation 14A under the Exchange Act) whose appointment or election by the Board or nomination for election by the Corporation's stockholders was approved or recommended by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors on

January 25, 2002 or whose appointment, election or nomination for election was previously so approved or recommended; or

(c) there is consummated a merger or consolidation of the Corporation or any direct or indirect subsidiary of the Corporation with any other corporation, other than (i) a merger or consolidation which would result in the voting securities of the Corporation outstanding immediately prior to such merger or consolidation continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or any parent thereof) at least 60% of the combined voting power of the voting securities of the Corporation or such surviving entity or any parent thereof outstanding immediately after such merger or consolidation, or (ii) a merger or consolidation effected to implement a recapitalization of the Corporation (or similar transaction) in which no Person is or becomes the Beneficial Owner, directly or indirectly, of securities of the Corporation (not including in the securities Beneficially Owned by such Person any securities acquired directly from the Corporation or its Affiliates) representing 25% or more of either the then outstanding shares of Common Stock or the combined voting power of the Corporation's then outstanding voting securities; or

(d) the stockholders of the Corporation approve a plan of complete liquidation or dissolution of the Corporation or there is consummated an agreement for the sale or disposition by the Corporation of all or substantially all of the Corporation's assets (in one transaction or a series of related transactions within any period of 24 consecutive months), other than a sale or disposition by the Corporation of all or substantially all of the Corporation's assets to an entity, at least 75% of the combined voting power of the voting securities of which are owned by stockholders of the Corporation in substantially the same proportions as their ownership of the Corporation immediately prior to such sale.

Notwithstanding the foregoing, no "Change of Control" shall be deemed to have occurred if there is consummated any transaction or series of integrated transactions immediately following which the record holders of the Common Stock immediately prior to such transaction or series of transactions continue to have substantially the same proportionate ownership in an entity which owns all or substantially all of the assets of the Corporation immediately following such transaction or series of transactions.

For purposes of the definitions of Change of Control and Potential Change of Control, "Affiliate" shall have the meaning set forth in Rule 12b-2 promulgated under Section 12 of the Exchange Act; "Beneficial Owner" shall have the meaning set forth in Rule 13d-3 under the Exchange Act; "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended; and "Person" shall have the meaning given in Section 3(a)(9) of the Exchange Act, as modified and used in Sections 13(d) and 14(d) thereof, except that such term shall not include (i) the Corporation or any of its subsidiaries, (ii) a trustee or other fiduciary holding securities under an employee benefit plan of the Corporation or any of its Affiliates, (iii) an underwriter temporarily holding securities pursuant to an offering of such securities, (iv) a corporation owned, directly or indirectly, by the shareholders of the Corporation in substantially the same proportions as their ownership of stock of the Corporation or (v) any individual, entity or group which is permitted to, and actually does, report its Beneficial Ownership on Schedule 13G (or any successor schedule); provided that if any such individual, entity or group subsequently becomes required to or does report its Beneficial Ownership on Schedule 13D (or any successor

schedule), such individual, entity or group shall be deemed to be a Person for purposes hereof on the first date on which such individual, entity or group becomes required to or does so report Beneficial Ownership of all of the voting securities of the Corporation Beneficially Owned by it on such date.

17.2 Payments. Upon the occurrence of a Change of Control, and notwithstanding Section 7,

(a) payment of a Participant's Cash Account balance and Matching Account balance (if any, and then only to the extent not then maintained in Share Units) shall be made immediately in cash in a lump sum; and

(b) payment of a Participant's Mutual Fund Account balance shall be made immediately in cash in a lump sum in an amount equal to the aggregate net asset value of the Mutual Fund Shares credited to the Participant's Mutual Fund Account as of the date of the Change of Control; and

(c) all Share Units credited to a Participant's Share Account and Matching Account (if any) shall be converted into an amount equal to the number of Share Units multiplied by the Fair Market Value, which amount shall be (i) paid as soon as possible to such Participant and (ii) denominated in (A) such form of consideration as the Participant would have received had the Participant been the owner of record of such shares of Common Stock at the time of such Change of Control, in the case of a "Change of Control With Consideration" or (B) cash, in the case of a "Change of Control Without Consideration". For purposes of this Section 17.2(b), (I) "Change of Control With Consideration" shall mean a Change of Control in which shares of Common Stock are exchanged or surrendered for shares, cash or other property and (II) "Change of Control Without Consideration" shall mean a Change of Control pursuant to which shares of Common Stock are not exchanged or surrendered for shares, cash or other property.

#### Section 18. Rating Event

18.1 Rating Event. The term "Rating Event" means the date on which the Corporation's debt rating drops below an Investment Grade Rating. "Investment Grade Rating" means a rating at or above Baa3 by Moody's Investors Services, Inc. (or its successors) or a rating at or above BBB by Standard & Poor's Corporation (or its successors). Only one such rating at the required level is necessary for the Corporation to have an Investment Grade Rating for purposes of this Section. If either or both of these ratings cease to be available then an equivalent rating from a nationally prominent rating agency shall be substituted by the Corporation.

18.2 Payment. Upon the occurrence of a Rating Event, and notwithstanding Section 7:

(a) a Participant's Cash Account balance and Matching Account balance (if any, and then only to the extent not then maintained in Share Units) shall be paid immediately in cash in a lump sum; and

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(b) payment of a Participant's Mutual Fund Account balance shall be made immediately in cash in a lump sum in an amount equal to the aggregate net asset value of the Mutual Fund Shares credited to the Participant's Mutual Fund Account as of the payment date; and

(c) payments in respect of a Share Account balance shall be made immediately in cash in an amount equal to the number of Share Units then payable multiplied by the Fair Market Value on the date of payment; provided, however, that at the election of a Participant, made by written notice to the Corporation prior to delivery of such cash, payments in respect of a Share Account may be made solely in Common Stock by converting Share Units into Common Stock on a one-for-one basis, with payment of fractional shares to be made in cash based upon the Fair Market Value the date of payment; and

(d) payments in respect of a Matching Account balance (if any, and then only to the extent then maintained in Share Units) shall be made immediately in cash in an amount equal to the number of Share Units then payable multiplied by the Fair Market Value on the date of payment; provided, however, that at the election of a Participant, made by written notice to the Corporation prior to delivery of such cash, payments in respect of a Share Account may be made solely in Common Stock by converting Share Units into Common Stock on a one-for-one basis, with payment of fractional shares to be made in cash based upon the Fair Market Value on the date of payment; and

(e) In addition to payment of the Participant's Cash Account balance as described above, the Corporation shall pay the Participant an amount equal to the interest that would have been earned on the Accelerated Tax Amount from the date of the Rating Event to the date payment of Year Deferred Amounts was then scheduled to commence, calculated at the interest rate determined under Section 6.2, compounded monthly, which interest amount shall then be discounted to the date of payment at a discount rate equal to the rate determined under Section 6.2. The "Accelerated Tax Amount" means the Participant's Cash Account balance multiplied by the Assumed Tax Rate. The "Assumed Tax Rate" means a percentage which reflects the highest stated federal and state income tax rates imposed on

residents of Wisconsin after giving effect to the deductibility of state income taxes.

18.3 Revocation of Election. Upon the occurrence of a Rating Event, all deferral elections made prior thereto are revoked.

## AMENDED AND RESTATED 364-DAY CREDIT AGREEMENT

Dated as of August 1, 2003

SNAP-ON INCORPORATED, a Delaware corporation (the "Borrower"), the banks, financial institutions and other institutional lenders (the "Initial Lenders") listed on the signature pages hereof, CITIGROUP GLOBAL MARKETS INC., as lead arranger and book manager, BANC ONE CAPITAL MARKETS INC., as co-arranger, CITIBANK, N.A. ("Citibank"), as administrative agent (the "Agent") for the Lenders (as hereinafter defined) and BANK ONE, NA, as syndication agent, agree as follows:

## PRELIMINARY STATEMENTS

(1) The Borrower is party to an Amended and Restated 364-Day Credit Agreement dated as of August 9, 2002, which amended and restated the Amended and Restated 364-Day Credit Agreement dated as of August 20, 2001, which amended and restated the Amended and Restated 364-Day Credit Agreement dated as of August 21, 2000, which in turn amended and restated the 364-Day Credit Agreement dated as of August 23, 1999 (as amended, supplemented or otherwise modified from time to time to (but not including) the date of this Amendment and Restatement, the "Existing Credit Agreement") with the banks, financial institutions and other institutional lenders party thereto and Citibank, N.A., as Agent for the Lenders, Salomon Smith Barney Inc., as Lead Arranger and Book Manager, Banc One Capital Markets Inc., as Co-Arranger, and Bank One, NA, as Syndication Agent.

(2) The Borrower has requested that the Lenders agree to extend credit to it from time to time in an aggregate principal amount of U.S. \$200,000,000 for general corporate purposes of the Borrower and its Subsidiaries not otherwise prohibited under the terms of this Agreement. The Lenders have indicated their willingness to agree to extend credit to the Borrower from time to time in such amount on the terms and conditions set forth below.

## ARTICLE I

## DEFINITIONS AND ACCOUNTING TERMS

## SECTION 1.01. Certain Defined Terms.

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As used in this Agreement, the following terms shall have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

"Advance" means a Revolving Credit Advance or a Competitive Bid Advance.

"Affiliate" means, as to any Person, any other Person that, directly or indirectly, controls, is controlled by or is under common control with such Person or is a director or officer of such Person. For purposes of this definition, the term "control" (including the terms "controlling", "controlled by" and "under common control with") of a Person means the possession, direct or indirect, of the power to vote 5% or more of the Voting Stock of such Person or to direct or cause the direction of the management and policies of such Person, whether through the ownership of Voting Stock, by contract or otherwise.

"Agent's Account" means (a) in the case of Advances denominated in Dollars, the account of the Agent maintained by the Agent at Citibank at its office at 399 Park Avenue, New York, New York 10043, Account No. 36852248, Attention: Bank Loan Syndications, (b) in the case of Advances denominated in any Foreign Currency, the account of the Sub-Agent designated in writing from time to time by the Agent to the Borrower and the Lenders for such purpose and (c) in any such case, such other account of the Agent as is designated in writing from time to time by the Agent to the Borrower and the Lenders for such purpose.

"Applicable Lending Office" means, with respect to each Lender, such Lender's Domestic Lending Office in the case of a Base Rate Advance and such Lender's Eurocurrency Lending Office in the case of a Eurocurrency Rate Advance and, in the case of a Competitive Bid Advance, the office of



such Lender notified by such Lender to the Agent as its Applicable Lending Office with respect to such Competitive Bid Advance.

"Applicable Margin" means (a) for Base Rate Advances, 0% per annum and (b) for Eurocurrency Rate Advances, as of any date prior to the Term Loan Conversion Date, 0.195% per annum and, as of any date on and after the Term Loan Conversion Date, 0.55% per annum.

"Applicable Percentage" means 0.055% per annum.

"Applicable Utilization Fee" means, as of any date prior to the Term Loan Conversion Date that the aggregate principal amount of the Advances exceeds 25% of the aggregate Commitments, 0.10% per annum.

"Assignment and Acceptance" means an assignment and acceptance entered into by a Lender and an Eligible Assignee, and accepted by the Agent, in substantially the form of Exhibit C hereto.

"Assuming Lender" has the meaning specified in Section 2.18(c).

"Assumption Agreement" has the meaning specified in Section 2.18(c).

"Base Rate" means a fluctuating interest rate per annum in effect from time to time, which rate per annum shall at all times be equal to the highest of:

(a) the rate of interest announced publicly by Citibank in New York, New York, from time to time, as Citibank's base rate;

(b) the sum (adjusted to the nearest 1/4 of 1% or, if there is no nearest 1/4 of 1%, to the next higher 1/4 of 1%) of (i) 1/2 of 1% per annum, plus (ii) the rate obtained by dividing (A) the latest three-week moving average of secondary market morning offering rates in the United States for three-month certificates of deposit of major United States money market banks, such three-week moving average (adjusted to the basis of a year of 360 days) being determined weekly on each Monday (or, if such day is not a Business Day, on the next succeeding Business Day) for the three-week period ending on the previous Friday by Citibank on the basis of such rates reported by certificate of deposit dealers to and published by the Federal Reserve Bank of New York or, if such publication shall be suspended or terminated, on the basis of quotations for such rates received by Citibank from three New York certificate of deposit dealers of recognized standing selected by Citibank, by (B) a percentage equal to 100% minus the average of the daily percentages specified during such three-week period by the Board of Governors of the Federal Reserve System (or any successor) for determining the maximum reserve requirement (including, but not limited to, any emergency, supplemental or other marginal reserve requirement) for Citibank with respect to liabilities consisting of or including (among other liabilities) three-month U.S. dollar non-personal time deposits in the United States, plus (iii) the average during such three-week period of the annual assessment rates estimated by Citibank for determining the then current annual assessment payable by Citibank to the Federal Deposit Insurance Corporation (or any successor) for insuring U.S. dollar deposits of Citibank in the United States; and

(c) 1/2 of one percent per annum above the Federal Funds Rate.

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"Base Rate Advance" means a Revolving Credit Advance denominated in Dollars that bears interest as provided in Section 2.07(a)(i).

"Borrowing" means a Revolving Credit Borrowing or a Competitive Bid Borrowing.

"Business Day" means a day of the year on which banks are not required or authorized by law to close in New York City and, if the applicable Business Day relates to any Eurocurrency Rate Advances or LIBO Rate Advances, on which dealings are carried on in the London interbank market

and banks are open for business in London and in the country of issue of the currency of such Eurocurrency Rate Advance or LIBO Rate Advance (or, in the case of an Advance denominated in the euro, in Frankfurt, Germany) and, if the applicable Business Day relates to any Local Rate Advances on which banks are open for business in the country of issue of the currency of such Local Rate Advance.

"Commitment" means as to any Lender (a) the Dollar amount set forth opposite such Lender's name on Schedule I hereto, (b) if such Lender has become a Lender hereunder pursuant to an Assumption Agreement, the Dollar amount set forth in such Assumption Agreement or (c) if such Lender has entered into any Assignment and Acceptance, the Dollar amount set forth for such Lender in the Register maintained by the Agent pursuant to Section 8.07(d), as such amount may be reduced pursuant to Section 2.05.

"Committed Currencies" means lawful currency of the United Kingdom of Great Britain and Northern Ireland, lawful currency of The Swiss Federation, lawful currency of Canada, lawful currency of Australia, lawful currency of Japan, lawful currency of the European Economic and Monetary Union and any other currency that is freely convertible into Dollars and available to all Lenders.

"Competitive Bid Advance" means an advance by a Lender to the Borrower as part of a Competitive Bid Borrowing resulting from the competitive bidding procedure described in Section 2.03 and refers to a Fixed Rate Advance, a LIBO Rate Advance or a Local Rate Advance.

"Competitive Bid Borrowing" means a borrowing consisting of simultaneous Competitive Bid Advances from each of the Lenders whose offer to make one or more Competitive Bid Advances as part of such borrowing has been accepted under the competitive bidding procedure described in Section 2.03.

"Competitive Bid Note" means a promissory note of the Borrower payable to the order of any Lender, in substantially the form of Exhibit A-2 hereto, evidencing the indebtedness of the Borrower to such Lender resulting from a Competitive Bid Advance made by such Lender.

"Competitive Bid Reduction" has the meaning specified in Section 2.01.

"Confidential Information" means information that the Borrower furnishes to the Agent or any Lender, but does not include any such information that is or becomes generally available to the public or that is or becomes available to the Agent or such Lender from a source other than the Borrower.

"Consenting Lender" has the meaning specified in Section 2.18(b).

"Consolidated" refers to the consolidation of accounts in accordance with GAAP.

"Convert", "Conversion" and "Converted" each refers to a conversion of Revolving Credit Advances of one Type into Revolving Credit Advances of the other Type pursuant to Section 2.08 or 2.09.

"Debt" of any Person means, without duplication, (a) all indebtedness of such Person for borrowed money, (b) all obligations of such Person for the deferred purchase price of property or services (other than trade payables not overdue by more than 90 days incurred in the ordinary course of such Person's business), (c) all obligations of such Person evidenced by notes, bonds, debentures or other similar instruments, (d) all

obligations of such Person created or arising under any conditional sale or other title retention agreement with respect to property acquired by such Person (even though the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such property), (e) all obligations of such Person as lessee under leases that have been or should be, in accordance with GAAP, recorded as capital leases, (f) all obligations, contingent or otherwise, of such Person in respect of acceptances, letters of credit or similar extensions of credit, (g) all net obligations of such Person in respect of Hedge Agreements, (h) all Debt of others referred to in clauses (a) through (g)

above or clause (i) below guaranteed directly or indirectly in any manner by such Person, or in effect guaranteed directly or indirectly by such Person through an agreement (1) to pay or purchase such Debt or to advance or supply funds for the payment or purchase of such Debt, (2) to purchase, sell or lease (as lessee or lessor) property, or to purchase or sell services, primarily for the purpose of enabling the debtor to make payment of such Debt or to assure the holder of such Debt against loss, (3) to supply funds to or in any other manner invest in the debtor (including any agreement to pay for property or services irrespective of whether such property is received or such services are rendered) or (4) otherwise to assure a creditor against loss, and (i) all Debt referred to in clauses (a) through (h) above secured by (or for which the holder of such Debt has an existing right, contingent or otherwise, to be secured by) any Lien on property (including, without limitation, accounts and contract rights) owned by such Person, even though such Person has not assumed or become liable for the payment of such Debt; provided, however, that the term "Debt" shall not include obligations incurred in connection with sales of accounts receivable or other asset securitization transactions by the Borrower or any Subsidiary or Affiliate of the Borrower, except to the extent that such transaction creates a liability which is required by generally accepted accounting principles to be included on the Consolidated balance sheet of the Borrower and its Subsidiaries.

"Default" means any Event of Default or any event that would constitute an Event of Default but for the requirement that notice be given or time elapse or both.

"Disclosed Litigation" has the meaning specified in Section 3.01(b).

"Dollars" and the "\$" sign each means lawful currency of the United States of America.

"Domestic Lending Office" means, with respect to any Lender, the office of such Lender specified as its "Domestic Lending Office" opposite its name on Schedule I hereto or in the Assumption Agreement or the Assignment and Acceptance pursuant to which it became a Lender, or such other office of such Lender as such Lender may from time to time specify to the Borrower and the Agent.

"Effective Date" has the meaning specified in Section 3.01.

"Eligible Assignee" means (i) a Lender; (ii) an Affiliate of a Lender; and (iii) any other Person approved by the Agent and, unless an Event of Default has occurred and is continuing at the time any assignment is effected in accordance with Section 8.07, the Borrower, such approval not to be unreasonably withheld or delayed; provided, however, that neither the Borrower nor an Affiliate of the Borrower shall qualify as an Eligible Assignee.

"Environmental Action" means any action, suit, demand, demand letter, claim, notice of non-compliance or violation, notice of liability or potential liability, investigation, proceeding, consent order or consent agreement relating in any way to any Environmental Law, Environmental Permit or Hazardous Materials or arising from alleged injury or threat of injury to health, safety or the environment, including, without limitation, (a) by any governmental or regulatory authority for enforcement, cleanup, removal, response, remedial or other actions or damages and (b) by any governmental or regulatory authority or any third party for damages, contribution, indemnification, cost recovery, compensation or injunctive relief.

"Environmental Law" means any federal, state, local or foreign statute, law, ordinance, rule, regulation, code, order, judgment, decree or judicial or agency interpretation, policy or guidance relating to pollution or protection of the environment, health, safety or natural resources, including, without limitation,

those relating to the use, handling, transportation, treatment, storage, disposal, release or discharge of Hazardous Materials.

"Environmental Permit" means any permit, approval, identification number, license or other authorization required under any Environmental

Law.

"Equivalent" in Dollars of any Foreign Currency on any date means the equivalent in Dollars of such Foreign Currency determined by using the quoted spot rate at which the Sub-Agent's principal office in London offers to exchange Dollars for such Foreign Currency in London prior to 4:00 P.M. (London time) (unless otherwise indicated by the terms of this Agreement) on such date as is required pursuant to the terms of this Agreement, and the "Equivalent" in any Foreign Currency of Dollars means the equivalent in such Foreign Currency of Dollars determined by using the quoted spot rate at which the Sub-Agent's principal office in London offers to exchange such Foreign Currency for Dollars in London prior to 4:00 P.M. (London time) (unless otherwise indicated by the terms of this Agreement) on such date as is required pursuant to the terms of this Agreement.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, and the regulations promulgated and rulings issued thereunder.

"ERISA Affiliate" means any Person that for purposes of Title IV of ERISA is a member of the Borrower's controlled group, or under common control with the Borrower, within the meaning of Section 414 of the Internal Revenue Code.

"ERISA Event" means (a) (i) the occurrence of a reportable event, within the meaning of Section 4043 of ERISA, with respect to any Plan unless the 30-day notice requirement with respect to such event has been waived by the PBGC, or (ii) the requirements of subsection (1) of Section 4043(b) of ERISA (without regard to subsection (2) of such Section) are met with a contributing sponsor, as defined in Section 4001(a)(13) of ERISA, of a Plan, and an event described in paragraph (9), (10), (11), (12) or (13) of Section 4043(c) of ERISA is reasonably expected to occur with respect to such Plan within the following 30 days; (b) the application for a minimum funding waiver with respect to a Plan; (c) the provision by the administrator of any Plan of a notice of intent to terminate such Plan pursuant to Section 4041(a)(2) of ERISA (including any such notice with respect to a plan amendment referred to in Section 4041(e) of ERISA); (d) the cessation of operations at a facility of the Borrower or any ERISA Affiliate in the circumstances described in Section 4062(e) of ERISA; (e) the withdrawal by the Borrower or any ERISA Affiliate from a Multiple Employer Plan during a plan year for which it was a substantial employer, as defined in Section 4001(a)(2) of ERISA; (f) the conditions for the imposition of a lien under Section 302(f) of ERISA shall have been met with respect to any Plan; (g) the adoption of an amendment to a Plan requiring the provision of security to such Plan pursuant to Section 307 of ERISA; or (h) the institution by the PBGC of proceedings to terminate a Plan pursuant to Section 4042 of ERISA, or the occurrence of any event or condition described in Section 4042 of ERISA that constitutes grounds for the termination of, or the appointment of a trustee to administer, a Plan.

"Eurocurrency Liabilities" has the meaning assigned to that term in Regulation D of the Board of Governors of the Federal Reserve System, as in effect from time to time.

"Eurocurrency Lending Office" means, with respect to any Lender, the office of such Lender specified as its "Eurocurrency Lending Office" opposite its name on Schedule I hereto or in the Assumption Agreement or the Assignment and Acceptance pursuant to which it became a Lender (or, if no such office is specified, its Domestic Lending Office), or such other office of such Lender as such Lender may from time to time specify to the Borrower and the Agent.

"Eurocurrency Rate" means, for any Interest Period for each Eurocurrency Rate Advance comprising part of the same Revolving Credit Borrowing, an interest rate per annum equal to the rate per annum obtained by dividing (a) the rate per annum (rounded upward to the nearest whole multiple of 1/100

of 1% per annum) appearing on Dow Jones Markets Telerate Page 3750 (or any successor page) as the London interbank offered rate for deposits in Dollars or the applicable Committed Currency at approximately 11:00 A.M. (London time) two Business Days prior to the first day of such Interest

Period for a term comparable to such Interest Period or, if for any reason such rate is not available, the average (rounded upward to the nearest whole multiple of 1/100 of 1% per annum, if such average is not such a multiple) of the rate per annum at which deposits in Dollars or the applicable Committed Currency is offered by the principal office of each of the Reference Banks in London, England to prime banks in the London interbank market at 11:00 A.M. (London time) two Business Days before the first day of such Interest Period in an amount substantially equal to such Reference Bank's Eurocurrency Rate Advance comprising part of such Revolving Credit Borrowing to be outstanding during such Interest Period and for a period equal to such Interest Period by (b) a percentage equal to 100% minus the Eurocurrency Rate Reserve Percentage for such Interest Period. If the Dow Jones Markets Page 3750 (or any successor page) is unavailable, the Eurocurrency Rate for any Interest Period for each Eurocurrency Rate Advance comprising part of the same Revolving Credit Borrowing shall be determined by the Agent on the basis of applicable rates furnished to and received by the Agent from the Reference Banks two Business Days before the first day of such Interest Period, subject, however, to the provisions of Section 2.08.

"Eurocurrency Rate Advance" means a Revolving Credit Advance denominated in Dollars or a Committed Currency that bears interest as provided in Section 2.07(a) (ii).

"Eurocurrency Rate Reserve Percentage" for any Interest Period for all Eurocurrency Rate Advances or LIBO Rate Advances comprising part of the same Borrowing means the reserve percentage applicable two Business Days before the first day of such Interest Period under regulations issued from time to time by the Board of Governors of the Federal Reserve System (or any successor) for determining the maximum reserve requirement (including, without limitation, any emergency, supplemental or other marginal reserve requirement) for a member bank of the Federal Reserve System in New York City with respect to liabilities or assets consisting of or including Eurocurrency Liabilities (or with respect to any other category of liabilities that includes deposits by reference to which the interest rate on Eurocurrency Rate Advances or LIBO Rate Advances is determined) having a term equal to such Interest Period.

"Events of Default" has the meaning specified in Section 6.01.

"Extension Date" has the meaning specified in Section 2.18(b).

"Federal Funds Rate" means, for any period, a fluctuating interest rate per annum equal for each day during such period to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published for such day (or, if such day is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average of the quotations for such day on such transactions received by the Agent from three Federal funds brokers of recognized standing selected by it.

"Fixed Rate Advances" has the meaning specified in Section 2.03(a) (i), which Advances shall be denominated in Dollars or in any Foreign Currency.

"Foreign Currency" means any Committed Currency and any other lawful currency (other than Dollars) that is freely transferable or convertible into Dollars.

"GAAP" has the meaning specified in Section 1.03.

"Hazardous Materials" means (a) petroleum and petroleum products, byproducts or breakdown products, radioactive materials, asbestos-containing materials, polychlorinated biphenyls and radon gas and (b) any other chemicals, materials or substances designated, classified or regulated as hazardous or toxic or as a pollutant or contaminant under any Environmental Law.

"Hedge Agreements" means interest rate swap, cap or collar agreements, interest rate future or option contracts, currency swap agreements, currency future or option contracts and other similar agreements.

"Information Memorandum" means the information memorandum dated \_\_\_\_\_, 2003 used by the Agent in connection with the syndication of the Commitments.

"Interest Period" means, for each Eurocurrency Rate Advance comprising part of the same Revolving Credit Borrowing and each LIBO Rate Advance comprising part of the same Competitive Bid Borrowing, the period commencing on the date of such Eurocurrency Rate Advance or LIBO Rate Advance or the date of the Conversion of any Base Rate Advance into such Eurocurrency Rate Advance and ending on the last day of the period selected by the Borrower pursuant to the provisions below and, thereafter, with respect to Eurocurrency Rate Advances, each subsequent period commencing on the last day of the immediately preceding Interest Period and ending on the last day of the period selected by the Borrower pursuant to the provisions below. The duration of each such Interest Period shall be one, two, three or six months, as the Borrower may, upon notice received by the Agent not later than 11:00 A.M. (New York City time) on the third Business Day prior to the first day of such Interest Period, select; provided, however, that:

(i) the Borrower may not select any Interest Period that ends after the Termination Date or, if the Revolving Credit Advances have been converted to a term loan pursuant to Section 2.06 prior to such selection, that ends after the Maturity Date;

(ii) Interest Periods commencing on the same date for Eurocurrency Rate Advances comprising part of the same Revolving Credit Borrowing or for LIBO Rate Advances comprising part of the same Competitive Bid Borrowing shall be of the same duration;

(iii) whenever the last day of any Interest Period would otherwise occur on a day other than a Business Day, the last day of such Interest Period shall be extended to occur on the next succeeding Business Day, provided, however, that, if such extension would cause the last day of such Interest Period to occur in the next following calendar month, the last day of such Interest Period shall occur on the next preceding Business Day; and

(iv) whenever the first day of any Interest Period occurs on a day of an initial calendar month for which there is no numerically corresponding day in the calendar month that succeeds such initial calendar month by the number of months equal to the number of months in such Interest Period, such Interest Period shall end on the last Business Day of such succeeding calendar month.

"Internal Revenue Code" means the Internal Revenue Code of 1986, as amended from time to time, and the regulations promulgated and rulings issued thereunder.

"Lenders" means the Initial Lenders, each Assuming Lender that shall become a party hereto pursuant to Section 2.18 and each Person that shall become a party hereto pursuant to Section 8.07.

"LIBO Rate" means, for any Interest Period for all LIBO Rate Advances comprising part of the same Competitive Bid Borrowing, an interest rate per annum equal to the rate per annum obtained by dividing (a) the rate per annum (rounded upward to the nearest whole multiple of 1/100 of 1% per annum) appearing on Dow Jones Markets Telerate Page 3750 (or any successor page) as the London interbank offered rate for deposits in Dollars or the applicable Committed Currency at approximately 11:00 A.M. (London time) two Business Days prior to the first day of such Interest Period for a term comparable to such Interest Period or, if for any reason such rate is not available, the average (rounded upward to the nearest whole multiple of 1/100 of 1% per annum, if such average is not such a multiple) of the rate per annum at which deposits in Dollars or the applicable Foreign Currency is offered by the principal office of

each of the Reference Banks in London, England to prime banks in the London interbank market at 11:00 A.M. (London time) two Business Days before the first day of such Interest Period in an amount substantially equal to the amount that would be the Reference Banks' respective ratable shares of such Borrowing if such Borrowing were to be a Revolving Credit Borrowing to be

outstanding during such Interest Period and for a period equal to such Interest Period by (b) a percentage equal to 100% minus the Eurocurrency Rate Reserve Percentage for such Interest Period. If the Dow Jones Markets Telerate Page 3750 (or any successor page) is unavailable, the LIBO Rate for any Interest Period for each LIBO Rate Advance comprising part of the same Competitive Bid Borrowing shall be determined by the Agent on the basis of applicable rates furnished to and received by the Agent from the Reference Banks two Business Days before the first day of such Interest Period, subject, however, to the provisions of Section 2.08.

"LIBO Rate Advances" means a Competitive Bid Advance denominated in Dollars or in any Foreign Currency and bearing interest based on the LIBO Rate.

"Lien" means any lien, security interest or other charge or encumbrance of any kind, or any other type of preferential arrangement, including, without limitation, the lien or retained security title of a conditional vendor and any easement, right of way or other encumbrance on title to real property.

"Local Rate Advance" means a Competitive Bid Advance denominated in any Foreign Currency sourced from the jurisdiction of issuance of such Foreign Currency and bearing interest at a fixed rate.

"Material Adverse Change" means any material adverse change in the business, condition (financial or otherwise), operations, performance, properties or prospects of the Borrower or the Borrower and its Subsidiaries taken as a whole.

"Material Adverse Effect" means a material adverse effect on (a) the business, condition (financial or otherwise), operations, performance, properties or prospects of the Borrower or the Borrower and its Subsidiaries taken as a whole, (b) the rights and remedies of the Agent or any Lender under this Agreement or any Note or (c) the ability of the Borrower to perform its obligations under this Agreement or any Note.

"Maturity Date" means the earlier of (a) the first anniversary of the Termination Date and (b) the date of termination in whole of the aggregate Commitments pursuant to Section 2.05 or 6.01.

"Multiemployer Plan" means a multiemployer plan, as defined in Section 4001(a)(3) of ERISA, to which the Borrower or any ERISA Affiliate is making or accruing an obligation to make contributions, or has within any of the preceding five plan years made or accrued an obligation to make contributions.

"Multiple Employer Plan" means a single employer plan, as defined in Section 4001(a)(15) of ERISA, that (a) is maintained for employees of the Borrower or any ERISA Affiliate and at least one Person other than the Borrower and the ERISA Affiliates or (b) was so maintained and in respect of which the Borrower or any ERISA Affiliate could have liability under Section 4064 or 4069 of ERISA in the event such plan has been or were to be terminated.

"Non-Consenting Lender" has the meaning specified in Section 2.18(b).

"Note" means a Revolving Credit Note or a Competitive Bid Note.

"Notice of Revolving Credit Borrowing" has the meaning specified in Section 2.02(a).

"Notice of Competitive Bid Borrowing" has the meaning specified in Section 2.03(a).

"Payment Office" means, for any Foreign Currency, such office of Citibank as shall be from time to time selected by the Agent and notified by the Agent to the Borrower and the Lenders.

"PBGC" means the Pension Benefit Guaranty Corporation (or any successor).

"Permitted Liens" means such of the following as to which no

enforcement, collection, execution, levy or foreclosure proceeding shall have been commenced: (a) Liens for taxes, assessments and governmental charges or levies to the extent not required to be paid under Section 5.01(b) hereof; (b) Liens imposed by law, such as materialmen's, mechanics', carriers', workmen's and repairmen's Liens and other similar Liens arising in the ordinary course of business securing obligations that are not overdue for a period of more than 45 days; (c) pledges or deposits to secure obligations under workers' compensation laws or similar legislation or to secure public or statutory obligations; and (d) easements, rights of way and other encumbrances on title to real property that do not render title to the property encumbered thereby unmarketable or materially adversely affect the use of such property for its present purposes.

"Person" means an individual, partnership, corporation (including a business trust), joint stock company, trust, unincorporated association, joint venture, limited liability company or other entity, or a government or any political subdivision or agency thereof.

"Plan" means a Single Employer Plan or a Multiple Employer Plan.

"Reference Banks" means Citibank, Bank One, NA and Bank of America, N.A.

"Register" has the meaning specified in Section 8.07(d).

"Related Person" means each of the following: (a) the Borrower, (b) any Subsidiary of the Borrower or (c) any employee benefit plan of the Borrower or of any Subsidiary of the Borrower or any Person organized, appointed or established by the Borrower for or pursuant to the terms of any such plan.

"Required Lenders" means at any time Lenders owed at least a majority in interest of the then aggregate unpaid principal amount (based on the Equivalent in Dollars at such time) of the Revolving Credit Advances owing to Lenders, or, if no such principal amount is then outstanding, Lenders having at least a majority in interest of the Commitments.

"Revolving Credit Advance" means an advance by a Lender to the Borrower as part of a Revolving Credit Borrowing and refers to a Base Rate Advance or a Eurocurrency Rate Advance (each of which shall be a "Type" of Revolving Credit Advance).

"Revolving Credit Borrowing" means a borrowing consisting of simultaneous Revolving Credit Advances of the same Type made by each of the Lenders pursuant to Section 2.01.

"Revolving Credit Note" means a promissory note of the Borrower payable to the order of any Lender, delivered pursuant to a request made under Section 2.16 in substantially the form of Exhibit A-1 hereto, evidencing the aggregate indebtedness of the Borrower to such Lender resulting from the Revolving Credit Advances made by such Lender.

"Single Employer Plan" means a single employer plan, as defined in Section 4001(a)(15) of ERISA, that (a) is maintained for employees of the Borrower or any ERISA Affiliate and no Person other than the Borrower and the ERISA Affiliates or (b) was so maintained and in respect of which the Borrower or any ERISA Affiliate could have liability under Section 4069 of ERISA in the event such plan has been or were to be terminated.

"Sub-Agent" means Citibank International plc.

"Subsidiary" of any Person means any corporation, partnership, joint venture, limited liability company, trust or estate of which (or in which) more than 50% of (a) the issued and outstanding capital stock having ordinary voting power to elect a majority of the Board of Directors of such corporation

(irrespective of whether at the time capital stock of any other class or classes of such corporation shall or might have voting power upon the occurrence of any contingency), (b) the interest in the capital or profits of such limited liability company, partnership or joint venture or (c) the



beneficial interest in such trust or estate is at the time directly or indirectly owned or controlled by such Person, by such Person and one or more of its other Subsidiaries or by one or more of such Person's other Subsidiaries; it being understood that Snap-On Credit LLC, which is 50% owned by the Borrower, shall not be deemed to be a "Subsidiary" of the Borrower for purposes of this Agreement.

"Term Loan Conversion Date" means the Termination Date on which all Revolving Credit Advances outstanding on such date are converted into a term loan pursuant to Section 2.06.

"Term Loan Election" has the meaning specified in Section 2.06.

"Termination Date" means the earlier of (a) July 30, 2004, subject to the extension thereof pursuant to Section 2.18 and (b) the date of termination in whole of the Commitments pursuant to Section 2.05 or 6.01; provided, however, that the Termination Date of any Lender that is a Non-Consenting Lender to any requested extension pursuant to Section 2.18 shall be the Termination Date in effect immediately prior to the applicable Extension Date for all purposes of this Agreement.

"Voting Stock" means capital stock issued by a corporation, or equivalent interests in any other Person, the holders of which are ordinarily, in the absence of contingencies, entitled to vote for the election of directors (or persons performing similar functions) of such Person, even if the right so to vote has been suspended by the happening of such a contingency.

SECTION 1.02. Computation of Time Periods. In this Agreement in the computation of periods of time from a specified date to a later specified date, the word "from" means "from and including" and the words "to" and "until" each mean "to but excluding".

SECTION 1.03. Accounting Terms. All accounting terms not specifically defined herein shall be construed in accordance with generally accepted accounting principles consistent with those applied in the preparation of the financial statements referred to in Section 4.01(e) ("GAAP").

## ARTICLE II

### AMOUNTS AND TERMS OF THE ADVANCES

SECTION 2.01. The Revolving Credit Advances. Each Lender severally agrees, on the terms and conditions hereinafter set forth, to make Revolving Credit Advances to the Borrower from time to time on any Business Day during the period from the Effective Date until the Termination Date in an aggregate amount (based in respect of any Revolving Credit Advances to be denominated in a Committed Currency on the Equivalent in Dollars determined on the date of delivery of the applicable Notice of Revolving Credit Borrowing) not to exceed at any time outstanding such Lender's Commitment, provided that the aggregate amount of the Commitments of the Lenders shall be deemed used from time to time to the extent of the aggregate amount (based in respect of any Competitive Bid Advance denominated in a Foreign Currency on the Equivalent in Dollars at such time) of the Competitive Bid Advances then outstanding and such deemed use of the aggregate amount of the Commitments shall be allocated among the Lenders ratably according to their respective Commitments (such deemed use of the aggregate amount of the Commitments being a "Competitive Bid Reduction"). Each Revolving Credit Borrowing shall be in an aggregate amount of \$10,000,000 or an integral multiple of \$1,000,000 in excess thereof (or the Equivalent thereof in any Committed Currency determined on the date of delivery of the applicable Notice of Revolving Credit Borrowing) and shall consist of Revolving Credit Advances of the same Type made on the same day by the Lenders ratably according to their respective Commitments. Within the limits of each Lender's Commitment, the Borrower may borrow under this Section 2.01, prepay pursuant to Section 2.10 and reborrow under this Section 2.01.

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SECTION 2.02. Making the Revolving Credit Advances. (a) Each Revolving Credit Borrowing shall be made on notice, given not later than (x) 11:00 A.M. (New York City time) on the third Business Day prior to the date of the proposed Revolving Credit Borrowing in the case of a Revolving Credit Borrowing consisting of Eurocurrency Rate Advances denominated in Dollars, (y) 4:00 P.M. (London time) on the third Business Day prior to the date of the proposed

Revolving Credit Borrowing in the case of a Revolving Credit Borrowing consisting of Eurocurrency Rate Advances denominated in any Committed Currency, or (z) 11:00 A.M. (New York City time) on the first Business Day prior to the date of the proposed Revolving Credit Borrowing in the case of a Revolving Credit Borrowing consisting of Base Rate Advances, by the Borrower to the Agent (and, in the case of a Revolving Credit Borrowing consisting of Eurocurrency Rate Advances, simultaneously to the Sub-Agent), which shall give to each Lender prompt notice thereof by telecopier or telex. Each such notice of a Revolving Credit Borrowing (a "Notice of Revolving Credit Borrowing") shall be by telephone, confirmed immediately in writing, or telecopier or telex in substantially the form of Exhibit B-1 hereto, specifying therein the requested (i) date of such Revolving Credit Borrowing, (ii) Type of Advances comprising such Revolving Credit Borrowing, (iii) aggregate amount of such Revolving Credit Borrowing, and (iv) in the case of a Revolving Credit Borrowing consisting of Eurocurrency Rate Advances, initial Interest Period and currency for each such Revolving Credit Advance. Each Lender shall, before 11:00 A.M. (New York City time) on the date of such Revolving Credit Borrowing, in the case of a Revolving Credit Borrowing consisting of Advances denominated in Dollars, and before 4:00 P.M. (London time) on the date of such Revolving Credit Borrowing, in the case of a Revolving Credit Borrowing consisting of Eurocurrency Rate Advances denominated in any Committed Currency, make available for the account of its Applicable Lending Office to the Agent at the applicable Agent's Account, in same day funds, such Lender's ratable portion of such Revolving Credit Borrowing. After the Agent's receipt of such funds and upon fulfillment of the applicable conditions set forth in Article III, the Agent will make such funds available to the Borrower at the Agent's address referred to in Section 8.02(a) or at the applicable Payment Office, as the case may be.

(b) Anything in subsection (a) above to the contrary notwithstanding, (i) the Borrower may not select Eurocurrency Rate Advances for any Revolving Credit Borrowing if the aggregate amount of such Revolving Credit Borrowing is less than \$10,000,000 or if the obligation of the Lenders to make Eurocurrency Rate Advances shall then be suspended pursuant to Section 2.08 or 2.12 and (ii) the Eurocurrency Rate Advances may not be outstanding as part of more than six separate Revolving Credit Borrowings.

(c) Each Notice of Revolving Credit Borrowing shall be irrevocable and binding on the Borrower. In the case of any Revolving Credit Borrowing that the related Notice of Revolving Credit Borrowing specifies is to be comprised of Eurocurrency Rate Advances, the Borrower shall indemnify each Lender against any loss, cost or expense incurred by such Lender as a result of any failure to fulfill on or before the date specified in such Notice of Revolving Credit Borrowing for such Revolving Credit Borrowing the applicable conditions set forth in Article III, including, without limitation, any loss (including loss of anticipated profits), cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by such Lender to fund the Revolving Credit Advance to be made by such Lender as part of such Revolving Credit Borrowing when such Revolving Credit Advance, as a result of such failure, is not made on such date.

(d) Unless the Agent shall have received notice from a Lender prior to the date of any Revolving Credit Borrowing that such Lender will not make available to the Agent such Lender's ratable portion of such Revolving Credit Borrowing, the Agent may assume that such Lender has made such portion available to the Agent on the date of such Revolving Credit Borrowing in accordance with subsection (a) of this Section 2.02 and the Agent may, in reliance upon such assumption, make available to the Borrower on such date a corresponding amount. If and to the extent that such Lender shall not have so made such ratable portion available to the Agent, such Lender and the Borrower severally agree to repay to the Agent forthwith on demand such corresponding amount together with interest thereon, for each day from the date such amount is made available to the Borrower until the date such amount is repaid to the Agent, at (i) in the case of the Borrower, the higher of (A) the interest rate applicable at the time to Revolving Credit Advances comprising such Revolving Credit Borrowing and (B) the cost of funds incurred by the Agent in respect of such amount and (ii) in the case of such Lender, (A) the Federal Funds Rate in the case of Advances denominated in Dollars or (B) the cost of funds incurred by the Agent in respect of such amount in the case of Advances denominated in Committed Currencies. If such Lender shall repay to the Agent such corresponding amount, such amount so repaid shall constitute such Lender's Revolving Credit Advance as part of such Revolving Credit Borrowing for purposes of this Agreement.

(e) The failure of any Lender to make the Revolving Credit Advance to be made by it as part of any Revolving Credit Borrowing shall not relieve any other Lender of its obligation, if any, hereunder to make its Revolving Credit Advance on the date of such Revolving Credit Borrowing, but no Lender shall be responsible for the failure of any other Lender to make the Revolving Credit Advance to be made by such other Lender on the date of any Revolving Credit Borrowing.

SECTION 2.03. The Competitive Bid Advances. (a) Each Lender severally agrees that the Borrower may make Competitive Bid Borrowings under this Section 2.03 from time to time on any Business Day during the period from the date hereof until the date occurring 30 days prior to the Termination Date in the manner set forth below; provided that, following the making of each Competitive Bid Borrowing, the aggregate amount of the Advances then outstanding (based in respect of any Advance denominated in a Foreign Currency on the Equivalent in Dollars at the time such Competitive Bid Borrowing is requested) shall not exceed the aggregate amount of the Commitments of the Lenders (computed without regard to any Competitive Bid Reduction); provided further that following the making of each Competitive Bid Borrowing, the aggregate amount of the Advances then outstanding (based in respect of any Advance denominated in a Foreign Currency on the Equivalent in Dollars at the time such Competitive Bid Borrowing is requested) shall not exceed the aggregate amount of one third of the Commitments of the Lenders (computed without regard to any Competitive Bid Reduction).

(i) The Borrower may request a Competitive Bid Borrowing under this Section 2.03 by delivering to the Agent (and, in the case of a Competitive Bid Borrowing not consisting of Fixed Rate Advances or LIBO Rate Advances to be denominated in Dollars, simultaneously to the Sub-Agent), by telecopier or telex, a notice of a Competitive Bid Borrowing (a "Notice of Competitive Bid Borrowing"), in substantially the form of Exhibit B-2 hereto, specifying therein the requested (A) date of such proposed Competitive Bid Borrowing, (B) aggregate amount of such proposed Competitive Bid Borrowing, (C) interest rate basis and day count convention to be offered by the Lenders, (D) currency of such proposed Competitive Bid Borrowing, (E) in the case of a Competitive Bid Borrowing consisting of LIBO Rate Advances, Interest Period, or in the case of a Competitive Bid Borrowing consisting of Fixed Rate Advances or Local Rate Advances, maturity date for repayment of each Fixed Rate Advance or Local Rate Advance to be made as part of such Competitive Bid Borrowing (which maturity date may not be earlier than the date occurring seven days after the date of such Competitive Bid Borrowing or later than the earlier of (I) 180 days after the date of such Competitive Bid Borrowing and (II) the Termination Date), (F) interest payment date or dates relating thereto, (G) location of the Borrower's account to which funds are to be advanced and (H) other terms (if any) to be applicable to such Competitive Bid Borrowing, not later than (w) 10:00 A.M. (New York City time) at least two Business Days prior to the date of the proposed Competitive Bid Borrowing, if the Borrower shall specify in the Notice of Competitive Bid Borrowing that the rates of interest to be offered by the Lenders shall be fixed rates per annum (the Advances comprising any such Competitive Bid Borrowing being referred to herein as "Fixed Rate Advances") and that the Advances comprising such proposed Competitive Bid Borrowing shall be denominated in Dollars, (x) 10:00 A.M. (New York City time) at least four Business Days prior to the date of the proposed Competitive Bid Borrowing, if the Borrower shall specify in the Notice of Competitive Bid Borrowing that the Advances comprising such Competitive Bid Borrowing shall be LIBO Rate Advances denominated in Dollars, (y) 10:00 A.M. (London time) at least two Business Days prior to the date of the proposed Competitive Bid Borrowing, if the Borrower shall specify in the Notice of Competitive Bid Borrowing that the Advances comprising such proposed Competitive Bid Borrowing shall be either Fixed Rate Advances denominated in any Foreign Currency or Local Rate Advances denominated in any Foreign Currency and (z) 10:00 A.M. (London time) at least four Business Days prior to the date of the proposed Competitive Bid Borrowing, if the Borrower shall instead specify in the Notice of Competitive Bid Borrowing that the Advances comprising such Competitive Bid Borrowing shall be LIBO Rate Advances denominated in any Foreign Currency. The Agent shall in turn promptly notify each Lender of each request for a Competitive Bid Borrowing received by it from the Borrower by sending such Lender a copy of the related Notice of Competitive Bid Borrowing.

(ii) Each Lender may, if, in its sole discretion, it elects to do so, irrevocably offer to make one or more Competitive Bid Advances to the Borrower as part of such proposed Competitive Bid

Borrowing at a rate or rates of interest specified by such Lender in its sole discretion, by notifying the Agent or the Sub-Agent, as the case may be (which shall give prompt notice thereof to the Borrower), (A) before 9:30 A.M. (New York City time) on the date of such proposed Competitive Bid Borrowing, in the case of a Competitive Bid Borrowing consisting of Fixed Rate Advances denominated in Dollars, (B) before 10:00 A.M. (New York City time) three Business Days before the date of such proposed Competitive Bid Borrowing, in the case of a Competitive Bid Borrowing consisting of LIBO Rate Advances, denominated in Dollars, (C) before 12:00 noon (London time) on the Business Day prior to the date of such proposed Competitive Bid Borrowing, in the case of a Competitive Bid Borrowing consisting of either Fixed Rate Advances denominated in any Foreign Currency or Local Rate Advances denominated in any Foreign Currency and (D) before 12:00 noon (London time) on the third Business Day prior to the date of such proposed Competitive Bid Borrowing, in the case of a Competitive Bid Borrowing consisting of LIBO Rate Advances denominated in any Foreign Currency, of the minimum amount and maximum amount of each Competitive Bid Advance which such Lender would be willing to make as part of such proposed Competitive Bid Borrowing (which amounts or the Equivalent thereof in Dollars, as the case may be, of such proposed Competitive Bid may, subject to the provisos to the first sentence of this Section 2.03(a), exceed such Lender's Commitment, if any), the rate or rates of interest therefor and such Lender's Applicable Lending Office with respect to such Competitive Bid Advance; provided that if the Agent in its capacity as a Lender shall, in its sole discretion, elect to make any such offer, it shall notify the Borrower of such offer at least 30 minutes before the time and on the date on which notice of such election is to be given to the Agent or to the Sub-Agent, as the case may be, by the other Lenders. If any Lender shall elect not to make such an offer, such Lender shall so notify the Agent before 10:00 A.M. (New York City time) or the Sub-Agent before 12:00 noon (London time) on the date on which notice of such election is to be given to the Agent or to the Sub-Agent, as the case may be, by the other Lenders, and such Lender shall not be obligated to, and shall not, make any Competitive Bid Advance as part of such Competitive Bid Borrowing; provided that the failure by any Lender to give such notice shall not cause such Lender to be obligated to make any Competitive Bid Advance as part of such proposed Competitive Bid Borrowing.

(iii) The Borrower shall, in turn, (A) before 10:30 A.M. (New York City time) on the date of such proposed Competitive Bid Borrowing, in the case of a Competitive Bid Borrowing consisting of Fixed Rate Advances denominated in Dollars, (B) before 11:00 A.M. (New York City time) three Business Days before the date of such proposed Competitive Bid Borrowing, in the case of a Competitive Bid Borrowing consisting of LIBO Rate Advances denominated in Dollars, (C) before 3:00 P.M. (London time) on the Business Day prior to the date of such proposed Competitive Bid Borrowing, in the case of a Competitive Bid Borrowing consisting of either Fixed Rate Advances denominated in any Foreign Currency or Local Rate Advances denominated in any Foreign Currency and (D) before 3:00 P.M. (London time) on the third Business Day prior to the date of such Competitive Bid Borrowing, in the case of a Competitive Bid Borrowing consisting of LIBO Rate Advances denominated in any Foreign Currency, either:

(x) cancel such Competitive Bid Borrowing by giving the Agent notice to that effect, or

(y) accept one or more of the offers made by any Lender or Lenders pursuant to paragraph (ii) above, in its sole discretion, by giving notice to the Agent or to the Sub-Agent, as the case may be, of the amount of each Competitive Bid Advance (which amount shall be equal to or greater than the minimum amount, and equal to or less than the maximum amount, notified to the Borrower by the Agent or the Sub-Agent, as the case may be, on behalf of such Lender for such Competitive Bid Advance pursuant to paragraph (ii) above) to be made by each Lender as part of such Competitive Bid Borrowing, and reject any remaining offers made by Lenders pursuant to paragraph (ii) above by giving the Agent or the Sub-Agent, as the case may be, notice to that effect. The Borrower shall accept the offers made by any Lender or Lenders to make Competitive Bid Advances in order of the lowest to the highest rates of interest offered by such Lenders. If two or more Lenders have offered the same interest rate, the amount to be borrowed

such interest rate will be allocated among such Lenders in proportion to the amount that each such Lender offered at such interest rate.

(iv) If the Borrower notifies the Agent or the Sub-Agent, as the case may be, that such Competitive Bid Borrowing is cancelled pursuant to paragraph (iii)(x) above, the Agent or the Sub-Agent, as the case may be, shall give prompt notice thereof to the Lenders and such Competitive Bid Borrowing shall not be made.

(v) If the Borrower accepts one or more of the offers made by any Lender or Lenders pursuant to paragraph (iii)(y) above, the Agent or the Sub-Agent, as the case may be, shall in turn promptly notify (A) each Lender that has made an offer as described in paragraph (ii) above, of the date and aggregate amount of such Competitive Bid Borrowing and whether or not any offer or offers made by such Lender pursuant to paragraph (ii) above have been accepted by the Borrower, (B) each Lender that is to make a Competitive Bid Advance as part of such Competitive Bid Borrowing, of the amount of each Competitive Bid Advance to be made by such Lender as part of such Competitive Bid Borrowing, and (C) each Lender that is to make a Competitive Bid Advance as part of such Competitive Bid Borrowing, upon receipt, that the Agent or the Sub-Agent, as the case may be, has received forms of documents appearing to fulfill the applicable conditions set forth in Article III. Each Lender that is to make a Competitive Bid Advance as part of such Competitive Bid Borrowing shall, before 11:00 A.M. (New York City time), in the case of Competitive Bid Advances to be denominated in Dollars or 11:00 A.M. (London time), in the case of Competitive Bid Advances to be denominated in any Foreign Currency, on the date of such Competitive Bid Borrowing specified in the notice received from the Agent or the Sub-Agent, as the case may be, pursuant to clause (A) of the preceding sentence or any later time when such Lender shall have received notice from the Agent or the Sub-Agent, as the case may be pursuant to clause (C) of the preceding sentence, make available for the account of its Applicable Lending Office to the Agent (x) in the case of a Competitive Bid Borrowing denominated in Dollars, at its address referred to in Section 8.02(a), in same day funds, such Lender's portion of such Competitive Bid Borrowing in Dollars and (y) in the case of a Competitive Bid Borrowing in a Foreign Currency, at the Payment Office for such Foreign Currency as shall have been notified by the Agent to the Lenders prior thereto, in same day funds, such Lender's portion of such Competitive Bid Borrowing in such Foreign Currency. Upon fulfillment of the applicable conditions set forth in Article III and after receipt by the Agent of such funds, the Agent will make such funds available to the Borrower at the location specified by the Borrower in its Notice of Competitive Bid Borrowing. Promptly after each Competitive Bid Borrowing the Agent will notify each Lender of the amount of the Competitive Bid Borrowing, the consequent Competitive Bid Reduction and the dates upon which such Competitive Bid Reduction commenced and will terminate.

(vi) If the Borrower notifies the Agent or the Sub-Agent, as the case may be, that it accepts one or more of the offers made by any Lender or Lenders pursuant to paragraph (iii)(y) above, such notice of acceptance shall be irrevocable and binding on the Borrower. The Borrower shall indemnify each Lender against any loss, cost or expense incurred by such Lender as a result of any failure to fulfill on or before the date specified in the related Notice of Competitive Bid Borrowing for such Competitive Bid Borrowing the applicable conditions set forth in Article III, including, without limitation, any loss (including loss of anticipated profits), cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by such Lender to fund the Competitive Bid Advance to be made by such Lender as part of such Competitive Bid Borrowing when such Competitive Bid Advance, as a result of such failure, is not made on such date.

(b) Each Competitive Bid Borrowing shall be in an aggregate amount of \$10,000,000 (or the Equivalent thereof in any Foreign Currency, determined as of the time of the applicable Notice of Competitive Bid Borrowing) or an integral multiple of \$1,000,000 (or the Equivalent thereof in any Foreign Currency, determined as of the time of the applicable Notice of Competitive Bid Borrowing) in excess thereof and, following the making of each Competitive Bid Borrowing, the Borrower shall be in compliance with the limitations set forth in the

provisos to the first sentence of subsection (a) above.

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(c) Within the limits and on the conditions set forth in this Section 2.03, the Borrower may from time to time borrow under this Section 2.03, repay or prepay pursuant to subsection (d) below, and reborrow under this Section 2.03, provided that a Competitive Bid Borrowing shall not be made within three Business Days of the date of any other Competitive Bid Borrowing.

(d) The Borrower shall repay to the Agent for the account of each Lender that has made a Competitive Bid Advance, on the maturity date of each Competitive Bid Advance (such maturity date being that specified by the Borrower for repayment of such Competitive Bid Advance in the related Notice of Competitive Bid Borrowing delivered pursuant to subsection (a)(i) above and provided in the Competitive Bid Note evidencing such Competitive Bid Advance), the then unpaid principal amount of such Competitive Bid Advance. The Borrower shall have no right to prepay any principal amount of any Competitive Bid Advance unless, and then only on the terms, specified by the Borrower for such Competitive Bid Advance in the related Notice of Competitive Bid Borrowing delivered pursuant to subsection (a)(i) above and set forth in the Competitive Bid Note evidencing such Competitive Bid Advance.

(e) The Borrower shall pay interest on the unpaid principal amount of each Competitive Bid Advance from the date of such Competitive Bid Advance to the date the principal amount of such Competitive Bid Advance is repaid in full, at the rate of interest for such Competitive Bid Advance specified by the Lender making such Competitive Bid Advance in its notice with respect thereto delivered pursuant to subsection (a)(ii) above, payable on the interest payment date or dates specified by the Borrower for such Competitive Bid Advance in the related Notice of Competitive Bid Borrowing delivered pursuant to subsection (a)(i) above, as provided in the Competitive Bid Note evidencing such Competitive Bid Advance. Upon the occurrence and during the continuance of an Event of Default, the Borrower shall pay interest on the amount of unpaid principal of and interest on each Competitive Bid Advance owing to a Lender, payable in arrears on the date or dates interest is payable thereon, at a rate per annum equal at all times to 2% per annum above the rate per annum required to be paid on such Competitive Bid Advance under the terms of the Competitive Bid Note evidencing such Competitive Bid Advance unless otherwise agreed in such Competitive Bid Note.

(f) The indebtedness of the Borrower resulting from each Competitive Bid Advance made to the Borrower as part of a Competitive Bid Borrowing shall be evidenced by a separate Competitive Bid Note of the Borrower payable to the order of the Lender making such Competitive Bid Advance.

SECTION 2.04. Fees. (a) Facility Fee. The Borrower agrees to pay to the Agent for the account of each Lender a facility fee on the aggregate amount of such Lender's Commitment from the Effective Date in the case of each Initial Lender and from the later of the Effective Date and the effective date specified in the Assumption Agreement or in the Assignment and Acceptance pursuant to which it became a Lender in the case of each other Lender until the earlier of the Term Loan Conversion Date and the Termination Date at a rate per annum equal to the Applicable Percentage in effect from time to time, payable in arrears quarterly on the last day of each March, June, September and December, commencing September 30, 2003, and on the Term Loan Conversion Date or the Termination Date, as the case may be.

(b) Agent's Fees. The Borrower shall pay to the Agent for its own account such fees as may from time to time be agreed between the Borrower and the Agent.

SECTION 2.05. Termination or Reduction of the Commitments. (a) Optional. The Borrower shall have the right, upon at least three Business Days' notice to the Agent, to terminate in whole or reduce ratably in part the unused portions of the respective Commitments of the Lenders, provided that each partial reduction shall be in the aggregate amount of \$10,000,000 or an integral multiple of \$1,000,000 in excess thereof and provided further that the aggregate amount of the Commitments of the Lenders shall not be reduced to an amount that is less than the aggregate principal amount of the Competitive Bid Advances denominated in Dollars then outstanding plus the Equivalent in Dollars (determined as of the date of the notice of prepayment) of the aggregate principal amount of the Competitive Bid Advances denominated in Foreign Currencies then outstanding.

(b) Mandatory. On the Termination Date, if the Borrower has made the Term Loan Election in accordance with Section 2.06 prior to such date, and from time to time after the Termination Date upon

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each prepayment of the Revolving Credit Advances, the Commitments of the Lenders shall be automatically and permanently reduced on a pro rata basis by an amount equal to the amount by which (i) the aggregate Commitments immediately prior to such reduction exceeds (ii) the aggregate unpaid principal amount of all Revolving Credit Advances outstanding at such time.

SECTION 2.06. Repayment of Revolving Credit Advances. The Borrower shall, subject to the next succeeding sentence, repay to the Agent for the ratable account of the Lenders on the Termination Date the aggregate principal amount of the Revolving Credit Advances then outstanding. The Borrower may, upon not less than 15 days' notice to the Agent, elect (the "Term Loan Election") to convert all of the Revolving Credit Advances outstanding on the Termination Date in effect at such time into a term loan which the Borrower shall repay in full ratably to the Lenders on the Maturity Date; provided that the Term Loan Election may not be exercised if (a) a Default has occurred and is continuing on the date of notice of the Term Loan Election or on the date on which the Term Loan Election is to be effected or (b) the Borrower has requested an extension of the Termination Date in accordance with Section 2.18 and the applicable Extension Date has not occurred. All Revolving Credit Advances converted into a term loan pursuant to this Section 2.06 shall continue to constitute Revolving Credit Advances except that the Borrower may not reborrow pursuant to Section 2.01 after all or any portion of such Revolving Credit Advances have been prepaid pursuant to Section 2.10.

SECTION 2.07. Interest on Revolving Credit Advances. (a) Scheduled Interest. The Borrower shall pay interest on the unpaid principal amount of each Revolving Credit Advance owing to each Lender from the date of such Revolving Credit Advance until such principal amount shall be paid in full, at the following rates per annum:

(i) Base Rate Advances. During such periods as such Revolving Credit Advance is a Base Rate Advance, a rate per annum equal at all times to the sum of (x) the Base Rate in effect from time to time plus (y) the Applicable Margin in effect from time to time plus (z) the Applicable Utilization Fee in effect from time to time, payable in arrears quarterly on the last day of each March, June, September and December during such periods and on the date such Base Rate Advance shall be Converted or paid in full.

(ii) Eurocurrency Rate Advances. During such periods as such Revolving Credit Advance is a Eurocurrency Rate Advance, a rate per annum equal at all times during each Interest Period for such Revolving Credit Advance to the sum of (x) the Eurocurrency Rate for such Interest Period for such Revolving Credit Advance plus (y) the Applicable Margin in effect from time to time plus (z) the Applicable Utilization Fee in effect from time to time, payable in arrears on the last day of such Interest Period and, if such Interest Period has a duration of more than three months, on each day that occurs during such Interest Period every three months from the first day of such Interest Period and on the date such Eurocurrency Rate Advance shall be Converted or paid in full.

(b) Default Interest. Upon the occurrence and during the continuance of an Event of Default, the Borrower shall pay interest on (i) the unpaid principal amount of each Revolving Credit Advance owing to each Lender, payable in arrears on the dates referred to in clause (a)(i) or (a)(ii) above, at a rate per annum equal at all times to 2% per annum above the rate per annum required to be paid on such Revolving Credit Advance pursuant to clause (a)(i) or (a)(ii) above and (ii) to the fullest extent permitted by law, the amount of any interest, fee or other amount payable hereunder that is not paid when due, from the date such amount shall be due until such amount shall be paid in full, payable in arrears on the date such amount shall be paid in full and on demand, at a rate per annum equal at all times to 2% per annum above the rate per annum required to be paid on Base Rate Advances pursuant to clause (a)(i) above.

SECTION 2.08. Interest Rate Determination. (a) The Agent shall give prompt notice to the Borrower and the Lenders of the applicable interest rate determined by the Agent for purposes of Section 2.07(a)(i) or (ii), and the rate, if any, furnished by each Reference Bank for the purpose of determining

the interest rate under Section 2.07(a)(ii).

(b) If, with respect to any Eurocurrency Rate Advances, the Required Lenders notify the Agent that (i) they are unable to obtain matching deposits in the London inter-bank market at or about 11:00 A.M.

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(London time) on the second Business Day before the making of a Borrowing in sufficient amounts to fund their respective Revolving Credit Advances as a part of such Borrowing during its Interest Period or (ii) the Eurocurrency Rate for any Interest Period for such Advances will not adequately reflect the cost to such Required Lenders of making, funding or maintaining their respective Eurocurrency Rate Advances for such Interest Period, the Agent shall forthwith so notify the Borrower and the Lenders, whereupon (A) the Borrower will, on the last day of the then existing Interest Period therefor, (1) if such Eurocurrency Rate Advances are denominated in Dollars, either (x) prepay such Advances or (y) Convert such Advances into Base Rate Advances and (2) if such Eurocurrency Rate Advances are denominated in any Committed Currency, either (x) prepay such Advances or (y) redenominate such Advances into an Equivalent amount of Dollars and Convert such Advances into Base Rate Advances and (B) the obligation of the Lenders to make, or to Convert Revolving Credit Advances into, Eurocurrency Rate Advances shall be suspended until the Agent shall notify the Borrower and the Lenders that the circumstances causing such suspension no longer exist; provided that, if the circumstances set forth in clause (ii) above are applicable, the Borrower may elect, by notice to the Agent and the Lenders, to continue such Advances in such Committed Currency for Interest Periods of not longer than one month, which Advances shall thereafter bear interest at a rate per annum equal to the Applicable Margin plus, for each Lender, the cost to such Lender (expressed as a rate per annum) of funding its Eurocurrency Rate Advances by whatever means it reasonably determines to be appropriate. Each Lender shall certify its cost of funds for each Interest Period to the Agent and the Borrower as soon as practicable (but in any event not later than ten Business Days after the first day of such Interest Period).

(c) If the Borrower shall fail to select the duration of any Interest Period for any Eurocurrency Rate Advances in accordance with the provisions contained in the definition of "Interest Period" in Section 1.01, the Agent will forthwith so notify the Borrower and the Lenders and such Advances will automatically, on the last day of the then existing Interest Period therefor, be continued as Eurocurrency Rate Advances having an interest period of one month.

(d) On the date on which the aggregate unpaid principal amount of Eurocurrency Rate Advances comprising any Borrowing shall be reduced, by payment or prepayment or otherwise, to less than \$10,000,000, such Advances shall automatically Convert into Base Rate Advances.

(e) Upon the occurrence and during the continuance of any Event of Default, (i) each Eurocurrency Rate Advance will automatically, on the last day of the then existing Interest Period therefor, (A) if such Eurocurrency Rate Advances are denominated in Dollars, be Converted into Base Rate Advances and (B) if such Eurocurrency Rate Advances are denominated in any Committed Currency, be redenominated into an Equivalent amount of Dollars and be Converted into Base Rate Advances and (ii) the obligation of the Lenders to make, or to Convert Advances into, Eurocurrency Rate Advances shall be suspended; provided that Borrower may elect, by notice to the Agent and the Lenders within one Business Day of such Event of Default, to continue such Advances in such Committed Currency, whereupon the Agent may require that each Interest Period relating to such Eurocurrency Rate Advances shall bear interest at the Overnight Eurocurrency Rate for a period of three Business Days and thereafter, each such Interest Period shall have a duration of not longer than one month. "Overnight Eurocurrency Rate" means the rate per annum applicable to an overnight period beginning on one Business Day and ending on the next Business Day equal to the sum of 1%, the Applicable Interest Rate Margin and the average, rounded upward to the nearest whole multiple of 1/16 of 1%, if such average is not such a multiple, of the respective rates per annum quoted by each Reference Bank to the Agent on request as the rate at which it is offering overnight deposits in the relevant currency in amounts comparable to such Reference Bank's Eurocurrency Rate Advances.

(f) If Dow Jones Markets Telerate Page 3750 is unavailable and fewer than two Reference Banks furnish timely information to the Agent for determining the Eurocurrency Rate or LIBO Rate for any Eurocurrency Rate Advances or LIBO Rate Advances, as the case may be,



(i) the Agent shall forthwith notify the Borrower and the Lenders that the interest rate cannot be determined for such Eurocurrency Rate Advances or LIBO Rate Advances, as the case may be,

(ii) with respect to Eurocurrency Rate Advances, each such Advance will automatically, on the last day of the then existing Interest Period therefor, (A) if such Eurocurrency Rate Advance is denominated in Dollars, be prepaid by the Borrower or be automatically Converted into a Base Rate

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Advance and (B) if such Eurocurrency Rate Advance is denominated in any Committed Currency, be prepaid by the Borrower or be automatically redenominated into an Equivalent amount of Dollars and be Converted into a Base Rate Advance (or if such Advance is then a Base Rate Advance, will continue as a Base Rate Advance), and

(iii) the obligation of the Lenders to make Eurocurrency Rate Advances or LIBO Rate Advances or to Convert Revolving Credit Advances into Eurocurrency Rate Advances shall be suspended until the Agent shall notify the Borrower and the Lenders that the circumstances causing such suspension no longer exist.

SECTION 2.09. Optional Conversion of Revolving Credit Advances. The Borrower may on any Business Day, upon notice given to the Agent not later than 11:00 A.M. (New York City time) on the third Business Day prior to the date of the proposed Conversion and subject to the provisions of Sections 2.08 and 2.12, Convert all Revolving Credit Advances denominated in Dollars of one Type comprising the same Borrowing into Revolving Credit Advances denominated in Dollars of the other Type; provided, however, that any Conversion of Eurocurrency Rate Advances into Base Rate Advances shall be made only on the last day of an Interest Period for such Eurocurrency Rate Advances, any Conversion of Base Rate Advances into Eurocurrency Rate Advances shall be in an amount not less than the minimum amount specified in Section 2.02(b) and no Conversion of any Revolving Credit Advances shall result in more separate Revolving Credit Borrowings than permitted under Section 2.02(b). Each such notice of a Conversion shall, within the restrictions specified above, specify (i) the date of such Conversion, (ii) the Dollar denominated Revolving Credit Advances to be Converted, and (iii) if such Conversion is into Eurocurrency Rate Advances, the duration of the initial Interest Period for each such Advance. Each notice of Conversion shall be irrevocable and binding on the Borrower.

SECTION 2.10. Prepayments of Revolving Credit Advances. (a) Optional. The Borrower may, upon notice at least two Business Days' prior to the date of such prepayment, in the case of Eurocurrency Rate Advances, and not later than 11:00 A.M. (New York City time) on the date of such prepayment, in the case of Base Rate Advances, to the Agent stating the proposed date and aggregate principal amount of the prepayment, and if such notice is given the Borrower shall, prepay the outstanding principal amount of the Revolving Credit Advances comprising part of the same Revolving Credit Borrowing in whole or ratably in part without premium or penalty, together with accrued interest to the date of such prepayment on the principal amount prepaid; provided, however, that (x) each partial prepayment shall be in an aggregate principal amount of \$10,000,000 or an integral multiple of \$1,000,000 in excess thereof or the Equivalent thereof in a Committed Currency (determined on the date notice of prepayment is given) and (y) in the event of any such prepayment of a Eurocurrency Rate Advance, the Borrower shall be obligated to reimburse the Lenders in respect thereof pursuant to Section 8.04(c).

(b) Mandatory Prepayments. (i) If the Agent notifies the Borrower that, on any interest payment date, the sum of (A) the aggregate principal amount of all Advances denominated in Dollars then outstanding plus (B) the Equivalent in Dollars (determined on the third Business Day prior to such interest payment date) of the aggregate principal amount of all Advances denominated in Foreign Currencies then outstanding exceeds 103% of the aggregate Commitments of the Lenders on such date, the Borrower shall, within two Business Days after receipt of such notice, prepay the outstanding principal amount of any Advances owing by the Borrower in an aggregate amount sufficient to reduce such sum to an amount not to exceed 100% of the aggregate Commitments of the Lenders on such date.

(ii) Each prepayment made pursuant to this Section 2.10(b) shall be made together with any interest accrued to the date of such prepayment on the principal amounts prepaid and, in the case of any prepayment of a Eurocurrency

Rate Advance, a LIBO Rate Advance or a Local Rate Advance on a date other than the last day of an Interest Period or at its maturity, any additional amounts which the Borrower shall be obligated to reimburse to the Lenders in respect thereof pursuant to Section 8.04(c). The Agent shall give prompt notice of any prepayment required under this Section 2.10(b) to the Borrower and the Lenders.

SECTION 2.11. Increased Costs. (a) If, due to either (i) the introduction of or any change in or in the interpretation of any law or regulation or (ii) the compliance with any guideline or request issued by any central bank or other governmental authority including, without limitation, any agency of the European Union or

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similar monetary or multinational authority after the date hereof (whether or not having the force of law), there shall be any increase in the cost to any Lender of agreeing to make or making, funding or maintaining Eurocurrency Rate Advances or LIBO Rate Advances (excluding for purposes of this Section 2.11 any such increased costs resulting from (i) Taxes or Other Taxes (as to which Section 2.14 shall govern) and (ii) changes in the basis of taxation of overall net income or overall gross income by the United States or by the foreign jurisdiction or state under the laws of which such Lender is organized or is otherwise subject to tax), then the Borrower shall from time to time, upon demand by such Lender (with a copy of such demand to the Agent), pay to the Agent for the account of such Lender additional amounts sufficient to compensate such Lender for such increased cost, provided that the Borrower shall not be required to pay any such additional amounts to the extent such additional amounts accrued prior to the date that is six months prior to the date of such notice. A certificate as to the amount of such increased cost, submitted to the Borrower and the Agent by such Lender, shall be conclusive and binding for all purposes, absent manifest error.

(b) If any Lender determines that compliance with any law or regulation or any guideline or request from any central bank or other governmental authority (whether or not having the force of law) affects or would affect the amount of capital required or expected to be maintained by such Lender or any corporation controlling such Lender and that the amount of such capital is increased by or based upon the existence of such Lender's commitment to lend hereunder and other commitments of this type, then, upon demand by such Lender (with a copy of such demand to the Agent), the Borrower shall pay to the Agent for the account of such Lender, from time to time as specified by such Lender, additional amounts sufficient to compensate such Lender or such corporation in the light of such circumstances, to the extent that such Lender reasonably determines such increase in capital to be allocable to the existence of such Lender's commitment to lend hereunder. A certificate as to such amounts submitted to the Borrower and the Agent by such Lender shall be conclusive and binding for all purposes, absent manifest error.

SECTION 2.12. Illegality. Notwithstanding any other provision of this Agreement, if any Lender shall notify the Agent that the introduction of or any change in or in the interpretation of any law or regulation makes it unlawful, or any central bank or other governmental authority asserts that it is unlawful, for any Lender or its Eurocurrency Lending Office to perform its obligations hereunder to make Eurocurrency Rate Advances in Dollars or any Committed Currency or LIBO Rate Advances in Dollars or any Foreign Currency or to fund or maintain Eurocurrency Rate Advances in Dollars or any Committed Currency or LIBO Rate Advances in Dollars or any Foreign Currency hereunder, (a) each Eurocurrency Rate Advance or LIBO Rate Advance, as the case may be, will automatically, upon such demand, (i) if such Eurocurrency Rate Advance or LIBO Rate Advance is denominated in Dollars, be Converted into a Base Rate Advance or an Advance that bears interest at the rate set forth in Section 2.07(a)(i), as the case may be, and (ii) if such Eurocurrency Rate Advance or LIBO Rate Advance is denominated in any Foreign Currency, be redenominated into an Equivalent amount of Dollars and be Converted into a Base Rate Advance or an Advance that bears interest at the rate set forth in Section 2.07(a)(i), as the case may be, and (b) the obligation of the Lenders to make Eurocurrency Rate Advances or LIBO Rate Advances or to Convert Revolving Credit Advances into Eurocurrency Rate Advances shall be suspended until the Agent shall notify the Borrower and the Lenders that the circumstances causing such suspension no longer exist.

SECTION 2.13. Payments and Computations. (a) The Borrower shall make each payment hereunder, except with respect to principal of, interest on, and other amounts relating to, Advances denominated in a Foreign Currency, not later than 11:00 A.M. (New York City time) on the day when due in Dollars to the Agent at

the applicable Agent's Account in same day funds. The Borrower shall make each payment hereunder with respect to principal of, interest on, and other amounts relating to, Advances denominated in a Foreign Currency, not later than 11:00 A.M. (at the Payment Office for such Foreign Currency) on the day when due in such Foreign Currency to the Agent, by deposit of such funds to the applicable Agent's Account in same day funds. The Agent will promptly thereafter cause to be distributed like funds relating to the payment of principal or interest or facility fees ratably (other than amounts payable pursuant to Section 2.03, 2.11, 2.14 or 8.04(c)) to the Lenders for the account of their respective Applicable Lending Offices, and like funds relating to the payment of any other amount payable to any Lender to such Lender for the account of its Applicable Lending Office, in each case to be applied in accordance with the terms of this Agreement. Upon any Assuming Lender becoming a Lender hereunder as a result of an extension of the Termination Date pursuant to Section 2.18, and upon the Agent's receipt of such Lender's Assumption Agreement and recording of the information contained therein in the Register, from and after the applicable Extension Date, the Agent shall make all payments hereunder and under any Notes issued in connection therewith in respect of the interest assumed thereby to the Assuming Lender. Upon its acceptance of an Assignment

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and Acceptance and recording of the information contained therein in the Register pursuant to Section 8.07(c), from and after the effective date specified in such Assignment and Acceptance, the Agent shall make all payments hereunder and under the Notes in respect of the interest assigned thereby to the Lender assignee thereunder, and the parties to such Assignment and Acceptance shall make all appropriate adjustments in such payments for periods prior to such effective date directly between themselves.

(b) The Borrower hereby authorizes each Lender, if and to the extent payment owed to such Lender is not made when due hereunder or under the Note held by such Lender, to charge from time to time against any or all of the Borrower's accounts with such Lender any amount so due. Each Lender that charges an account of the Borrower in accordance with this Section agrees to promptly so notify the Borrower, provided that the failure to give such notice shall not affect the validity of such charge.

(c) All computations of interest based on the Base Rate shall be made by the Agent on the basis of a year of 365 or 366 days, as the case may be, all computations of interest based on the Eurocurrency Rate or the Federal Funds Rate and of facility fees shall be made by the Agent on the basis of a year of 360 days and computations in respect of Competitive Bid Advances shall be made by the Agent or the Sub-Agent, as the case may be, as specified in the applicable Notice of Competitive Bid Borrowing (or, in each case of Advances denominated in Foreign Currencies where market practice differs, in accordance with market practice), in each case for the actual number of days (including the first day but excluding the last day) occurring in the period for which such interest or facility fees are payable. Each determination by the Agent of an interest rate hereunder shall be conclusive and binding for all purposes, absent manifest error.

(d) Whenever any payment hereunder or under the Notes shall be stated to be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day, and such extension of time shall in such case be included in the computation of payment of interest or facility fee, as the case may be; provided, however, that, if such extension would cause payment of interest on or principal of Eurocurrency Rate Advances or LIBO Rate Advances to be made in the next following calendar month, such payment shall be made on the next preceding Business Day.

(e) Unless the Agent shall have received notice from the Borrower prior to the date on which any payment is due to the Lenders hereunder that the Borrower will not make such payment in full, the Agent may assume that the Borrower has made such payment in full to the Agent on such date and the Agent may, in reliance upon such assumption, cause to be distributed to each Lender on such due date an amount equal to the amount then due such Lender. If and to the extent the Borrower shall not have so made such payment in full to the Agent, each Lender shall repay to the Agent forthwith on demand such amount distributed to such Lender together with interest thereon, for each day from the date such amount is distributed to such Lender until the date such Lender repays such amount to the Agent, at (i) the Federal Funds Rate in the case of Advances denominated in Dollars or (ii) the cost of funds incurred by the Agent in respect of such amount in the case of Advances denominated in Foreign

Currencies.

SECTION 2.14. Taxes. (a) Any and all payments by the Borrower hereunder or under the Notes shall be made, in accordance with Section 2.13, free and clear of and without deduction for any and all present or future taxes, levies, imposts, deductions, charges or withholdings, and all liabilities with respect thereto, excluding, in the case of each Lender and the Agent, taxes imposed on its overall net income, and franchise taxes imposed on it in lieu of net income taxes, by the jurisdictions in which such Lender or the Agent (as the case may be) is otherwise subject to tax (all such non-excluded taxes, levies, imposts, deductions, charges, withholdings and liabilities in respect of payments hereunder or under the Notes being hereinafter referred to as "Taxes"). If the Borrower shall be required by law to deduct any Taxes from or in respect of any sum payable hereunder or under any Note to any Lender or the Agent, (i) the sum payable shall be increased as may be necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 2.14) such Lender or the Agent (as the case may be) receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Borrower shall make such deductions and (iii) the Borrower shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law.

(b) In addition, the Borrower shall pay any present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies that arise from any payment made hereunder or under

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the Notes or from the execution, delivery or registration of, performing under, or otherwise with respect to, this Agreement or the Notes (hereinafter referred to as "Other Taxes").

(c) The Borrower shall indemnify each Lender and the Agent for and hold it harmless against the full amount of Taxes or Other Taxes (including, without limitation, taxes of any kind imposed by any jurisdiction on amounts payable under this Section 2.14) imposed on or paid by such Lender or the Agent (as the case may be) and any liability (including penalties, interest and expenses not incurred by reason of gross negligence or willful misconduct on the part of such Lender or the Agent) arising therefrom or with respect thereto. This indemnification shall be made within 30 days from the date such Lender or the Agent (as the case may be) makes written demand therefor.

(d) Within 30 days after the date of any payment of Taxes, the Borrower shall furnish to the Agent, at its address referred to in Section 8.02(a), the original or a certified copy of a receipt evidencing such payment. In the case of any payment hereunder or under the Notes by or on behalf of the Borrower through an account or branch outside the United States or by or on behalf of the Borrower by a payor that is not a United States person, if the Borrower determines that no Taxes are payable in respect thereof, the Borrower shall furnish, or shall cause such payor to furnish, to the Agent, at such address, an opinion of counsel as requested by and acceptable to the Agent stating that such payment is exempt from Taxes. For purposes of this subsection (d) and subsection (e), the terms "United States" and "United States person" shall have the meanings specified in Section 7701 of the Internal Revenue Code.

(e) Each Lender organized under the laws of a jurisdiction outside the United States, on or prior to the date of its execution and delivery of this Agreement in the case of each Initial Lender and on the date of the Assumption Agreement or the Assignment and Acceptance pursuant to which it becomes a Lender in the case of each other Lender, and from time to time thereafter as requested in writing by the Borrower (but only so long as such Lender remains lawfully able to do so), shall provide each of the Agent and the Borrower with two original Internal Revenue Service forms 1001 or 4224, as appropriate, or any successor or other form prescribed by the Internal Revenue Service, certifying that such Lender is exempt from or entitled to a reduced rate of United States withholding tax on payments pursuant to this Agreement or the Notes. If the form provided by a Lender at the time such Lender first becomes a party to this Agreement indicates a United States interest withholding tax rate in excess of zero, withholding tax at such rate shall be considered excluded from Taxes unless and until such Lender provides the appropriate forms certifying that a lesser rate applies, whereupon withholding tax at such lesser rate only shall be considered excluded from Taxes for periods governed by such form; provided, however, that, if at the date of the Assignment and Acceptance pursuant to which a Lender assignee becomes a party to this Agreement, the Lender assignor was

entitled to payments under subsection (a) in respect of United States withholding tax with respect to interest paid at such date, then, to such extent, the term Taxes shall include (in addition to withholding taxes that may be imposed in the future or other amounts otherwise includable in Taxes) United States withholding tax, if any, applicable with respect to the Lender assignee on such date. In addition, each Lender agrees that from time to time after the Effective Date, when a change in circumstances renders the previous certification obsolete or inaccurate in any material respect, it will deliver to the Borrower and the Agent two new accurate and complete original signed copies of Internal Revenue Service Form 4224 or 1001, as the case may be, and such other forms as may be required in order to confirm or establish the entitlement of such Lender to a continued exemption from or reduction in United States withholding tax with respect to payments under this Agreement or any Note, unless any change in treaty, law or regulation has occurred after the date such Lender becomes a party hereunder which renders all such forms inapplicable or which would prevent such Lender from duly completing and delivering any such form with respect to it and such Lender so advises the Borrower and the Agent. If any form or document referred to in this subsection (e) requires the disclosure of information, other than information necessary to compute the tax payable and information required on the date hereof by Internal Revenue Service form 1001 or 4224, that the Lender reasonably considers to be confidential, the Lender shall give notice thereof to the Borrower and shall not be obligated to include in such form or document such confidential information.

(f) Each Initial Lender hereby confirms as of the Effective Date, and each other Lender confirms as of the effective date of the Assignment and Acceptance pursuant to which it becomes a party hereto, in favor of the Agent and the Borrower that either (i) such Lender is not resident in the United Kingdom and is beneficially entitled to the

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Advances and the interest thereon or (ii) it is a bank as defined for the purposes of Section 349 of the Income and Corporation Taxes Act of 1988 of the United Kingdom and is beneficially entitled to the Advances and the interest thereon, and each Lender agrees to notify the Agent if there is any change in its position from that set forth in this clause (f).

(g) For any period with respect to which a Lender has failed to provide the Borrower with the appropriate form described in Section 2.14(e) (other than if such failure is due to a change in law occurring subsequent to the date on which a form originally was required to be provided, or if such form otherwise is not required under subsection (e) above), such Lender shall not be entitled to indemnification under Section 2.14(a) or (c) with respect to Taxes imposed by the United States by reason of such failure; provided, however, that should a Lender become subject to Taxes because of its failure to deliver a form required hereunder, the Borrower shall take such steps as the Lender shall reasonably request to assist the Lender to recover such Taxes.

(h) Any Lender claiming any additional amounts payable pursuant to this Section 2.14 agrees to use reasonable efforts (consistent with its internal policy and legal and regulatory restrictions) to change the jurisdiction of its Eurocurrency Lending Office if the making of such a change would avoid the need for, or reduce the amount of, any such additional amounts that may thereafter accrue and would not, in the reasonable judgment of such Lender, be otherwise disadvantageous to such Lender.

SECTION 2.15. Sharing of Payments, Etc. If any Lender shall obtain any payment (whether voluntary, involuntary, through the exercise of any right of set-off, or otherwise) on account of the Revolving Credit Advances owing to it (other than pursuant to Section 2.11, 2.14 or 8.04(c)) in excess of its ratable share of payments on account of the Revolving Credit Advances obtained by all the Lenders, such Lender shall forthwith purchase from the other Lenders such participations in the Revolving Credit Advances owing to them as shall be necessary to cause such purchasing Lender to share the excess payment ratably with each of them; provided, however, that if all or any portion of such excess payment is thereafter recovered from such purchasing Lender, such purchase from each Lender shall be rescinded and such Lender shall repay to the purchasing Lender the purchase price to the extent of such recovery together with an amount equal to such Lender's ratable share (according to the proportion of (i) the amount of such Lender's required repayment to (ii) the total amount so recovered from the purchasing Lender) of any interest or other amount paid or payable by the purchasing Lender in respect of the total amount so recovered. The Borrower agrees that any Lender so purchasing a participation from another Lender

pursuant to this Section 2.15 may, to the fullest extent permitted by law, exercise all its rights of payment (including the right of set-off) with respect to such participation as fully as if such Lender were the direct creditor of the Borrower in the amount of such participation.

SECTION 2.16. Evidence of Debt. (a) Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of the Borrower to such Lender resulting from each Revolving Credit Advance owing to such Lender from time to time, including the amounts of principal and interest payable and paid to such Lender from time to time hereunder in respect of Revolving Credit Advances. The Borrower agrees that upon notice by any Lender to the Borrower (with a copy of such notice to the Agent) to the effect that a Revolving Credit Note is required or appropriate in order for such Lender to evidence (whether for purposes of a permitted pledge, enforcement or otherwise) the Revolving Credit Advances owing to, or to be made by, such Lender, the Borrower shall promptly execute and deliver to such Lender a Revolving Credit Note payable to the order of such Lender in a principal amount up to the Commitment of such Lender.

(b) The Register maintained by the Agent pursuant to Section 8.07(d) shall include a control account, and a subsidiary account for each Lender, in which accounts (taken together) shall be recorded (i) the date and amount of each Borrowing made hereunder, the Type of Advances comprising such Borrowing and, if appropriate, the Interest Period applicable thereto, (ii) the terms of each Assumption Agreement and each Assignment and Acceptance delivered to and accepted by it, (iii) the amount of any principal or interest due and payable or to become due and payable from the Borrower to each Lender hereunder and (iv) the amount of any sum received by the Agent from the Borrower hereunder and each Lender's share thereof.

(c) Entries made in good faith by the Agent in the Register pursuant to subsection (b) above, and by each Lender in its account or accounts pursuant to subsection (a) above, shall be prima facie evidence of the amount of principal and interest due and payable or to become due and payable from the Borrower to, in the case of the Register, each Lender and, in the case of such account or accounts, such Lender, under this Agreement, absent manifest error; provided, however, that the failure of the Agent or such Lender to make an entry, or any finding that

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an entry is incorrect, in the Register or such account or accounts shall not limit or otherwise affect the obligations of the Borrower under this Agreement.

SECTION 2.17. Use of Proceeds. The proceeds of the Advances shall be available (and the Borrower agrees that it shall use such proceeds) solely for general corporate purposes of the Borrower and its Subsidiaries.

SECTION 2.18. Extension of Termination Date. (a) At least 30 days but not more than 45 days prior to the Termination Date, the Borrower, by written notice to the Agent, may request an extension of the Termination Date in effect at such time by 364 days from its then scheduled expiration; provided, however, that the Borrower shall not have made the Term Loan Election for Revolving Credit Advances outstanding on such Termination Date prior to such time. The Agent shall promptly notify each Lender of such request, and each Lender shall in turn, in its sole discretion, not later than 20 days prior to the Termination Date, notify the Borrower and the Agent in writing as to whether such Lender will consent to such extension. If any Lender shall fail to notify the Agent and the Borrower in writing of its consent to any such request for extension of the Termination Date at least 20 days prior to the Termination Date, such Lender shall be deemed to be a Non-Consenting Lender with respect to such request. The Agent shall notify the Borrower not later than 15 days prior to the Termination Date of the decision of the Lenders regarding the Borrower's request for an extension of the Termination Date.

(b) If all the Lenders consent in writing to any such request in accordance with subsection (a) of this Section 2.18, the Termination Date in effect at such time shall, effective as at the Termination Date (the "Extension Date"), be extended for 364 days; provided that on each Extension Date the applicable conditions set forth in Article III shall be satisfied. If less than all of the Lenders consent in writing to any such request in accordance with subsection (a) of this Section 2.18, the Termination Date in effect at such time shall, effective as at the applicable Extension Date, be extended as to those Lenders that so consented (each a "Consenting Lender") but shall not be extended as to

any other Lender (each a "Non-Consenting Lender"). To the extent that the Termination Date is not extended as to any Lender pursuant to this Section 2.18 and the Commitment of such Lender is not assumed in accordance with subsection (c) of this Section 2.18 on or prior to the applicable Extension Date, the Commitment of such Non-Consenting Lender shall automatically terminate in whole on such unextended Termination Date without any further notice or other action by the Borrower, such Lender or any other Person; provided that such Non-Consenting Lender's rights under Sections 2.11, 2.14 and 8.04, and its obligations under Section 7.05, shall survive the Termination Date for such Lender as to matters occurring prior to such date. It is understood and agreed that no Lender shall have any obligation whatsoever to agree to any request made by the Borrower for any requested extension of the Termination Date.

(c) If less than all of the Lenders consent to any such request pursuant to subsection (a) of this Section 2.18, the Agent shall promptly so notify the Consenting Lenders, and each Consenting Lender may, in its sole discretion, give written notice to the Agent not later than 10 days prior to the Termination Date of the amount of the Non-Consenting Lenders' Commitments for which it is willing to accept an assignment. If the Consenting Lenders notify the Agent that they are willing to accept assignments of Commitments in an aggregate amount that exceeds the amount of the Commitments of the Non-Consenting Lenders, such Commitments shall be allocated among the Consenting Lenders willing to accept such assignments in such amounts as are agreed between the Borrower and the Agent. If after giving effect to the assignments of Commitments described above there remains any Commitments of Non-Consenting Lenders, the Borrower may arrange for one or more Consenting Lenders or other Eligible Assignees (each, an "Assuming Lender") to assume by execution of an assumption agreement in form and substance satisfactory to the Borrower and the Agent (each, an "Assumption Agreement"), effective as of the Extension Date, any Non-Consenting Lender's remaining Commitment and all of the obligations of such Non-Consenting Lender under this Agreement thereafter arising, without recourse to or warranty by, or expense to, such Non-Consenting Lender; provided, however, that the amount of the Commitment of any such Assuming Lender as a result of such substitution shall in no event be less than \$10,000,000 unless the amount of the Commitment of such Non-Consenting Lender is less than \$10,000,000, in which case such Assuming Lender shall assume all of such lesser amount; and provided further that:

(i) any such Consenting Lender or Assuming Lender shall have paid to such Non-Consenting Lender (A) the aggregate principal amount of, and any interest accrued and unpaid to the effective date of the assignment on, the outstanding Advances, if any, of such Non-Consenting Lender plus

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(B) any accrued but unpaid facility fees owing to such Non-Consenting Lender as of the effective date of such assignment;

(ii) all additional costs reimbursements, expense reimbursements and indemnities payable to such Non-Consenting Lender, and all other accrued and unpaid amounts owing to such Non-Consenting Lender hereunder, as of the effective date of such assignment shall have been paid to such Non-Consenting Lender; and

(iii) with respect to any such Assuming Lender, the applicable processing and recordation fee required under Section 8.07(a) for such assignment shall have been paid;

provided further that such Non-Consenting Lender's rights under Sections 2.11, 2.14 and 8.04, and its obligations under Section 7.05, shall survive such substitution as to matters occurring prior to the date of substitution and at least three Business Days prior to any Extension Date, (A) each such Assuming Lender, if any, shall have delivered to the Borrower and the Agent an Assumption Agreement, duly executed by such Assuming Lender, such Non-Consenting Lender, the Borrower and the Agent, (B) any such Consenting Lender shall have delivered confirmation in writing satisfactory to the Borrower and the Agent as to the increase in the amount of its Commitment and (C) each Non-Consenting Lender being replaced pursuant to this Section 2.18 shall have delivered to the Agent any Note or Notes held by such Non-Consenting Lender. Upon the payment or prepayment of all amounts referred to in clauses (i), (ii) and (iii) of the immediately preceding sentence, each such Consenting Lender or Assuming Lender, as of the Extension Date, will be substituted for such Non-Consenting Lender under this Agreement and shall be a Lender for all purposes of this Agreement, without any further acknowledgment by or the consent of the other Lenders, and

the obligations of each such Non-Consenting Lender hereunder shall, by the provisions hereof, be released and discharged.

(d) If Lenders holding Commitments equal to not less than 50% of the Commitments outstanding immediately prior to the Extension Date (after giving effect to any assignments pursuant to subsection (b) of this Section 2.18) consent in writing to a requested extension (whether by execution or delivery of an Assumption Agreement or otherwise) not later than one Business Day prior to such Extension Date, the Agent shall so notify the Borrower, and, so long as no Default shall have occurred and be continuing as of such Extension Date, or shall occur as a consequence thereof, the Termination Date then in effect shall be extended for the additional one-year period as described in subsection (a) of this Section 2.18, and all references in this Agreement, and in the Notes, if any, to the "Termination Date" shall, with respect to each Consenting Lender and each Assuming Lender for such Extension Date, refer to the Termination Date as so extended. Promptly following each Extension Date, the Agent shall notify the Lenders (including, without limitation, each Assuming Lender) of the extension of the scheduled Termination Date in effect immediately prior thereto and shall thereupon record in the Register the relevant information with respect to each such Consenting Lender and each such Assuming Lender.

### ARTICLE III

#### CONDITIONS TO EFFECTIVENESS AND LENDING

SECTION 3.01. Conditions Precedent to Effectiveness of Sections 2.01 and 2.03. Sections 2.01 and 2.03 of this Agreement shall become effective on and as of the first date (the "Effective Date") on which the following conditions precedent have been satisfied:

(a) There shall have occurred no Material Adverse Change since December 31, 2002.

(b) There shall exist no action, suit, investigation, litigation or proceeding affecting the Borrower or any of its Subsidiaries pending or threatened before any court, governmental agency or arbitrator that (i) would be reasonably likely to have a Material Adverse Effect other than the matters described on Schedule 3.01(b) hereto (the "Disclosed Litigation") or (ii) purports to affect the legality, validity or enforceability of this Agreement or any Note or the consummation of the transactions contemplated hereby, and there shall have been no adverse change in the status, or financial effect on the

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Borrower or any of its Subsidiaries, of the Disclosed Litigation from that described on Schedule 3.01(b) hereto.

(c) Nothing shall have come to the attention of the Lenders during the course of their due diligence investigation to lead them to believe that the Information Memorandum was or has become misleading, incorrect or incomplete in any material respect; without limiting the generality of the foregoing, the Lenders shall have been given such access to the management, records, books of account, contracts and properties of the Borrower and its Subsidiaries as they shall have reasonably requested.

(d) All governmental and third party consents and approvals necessary in connection with the transactions contemplated hereby shall have been obtained (without the imposition of any conditions that are not acceptable to the Lenders) and shall remain in effect, and no law or regulation shall be applicable in the reasonable judgment of the Lenders that restrains, prevents or imposes materially adverse conditions upon the transactions contemplated hereby.

(e) The Borrower shall have notified each Lender and the Agent in writing as to the proposed Effective Date.

(f) The Borrower shall have paid all accrued fees and expenses of the Agent and the Lenders (including the accrued fees and expenses of counsel to the Agent).

(g) On the Effective Date, the following statements shall be true and the Agent shall have received for the account of each Lender a certificate signed by a duly authorized officer of the Borrower, dated the Effective



Date, stating that:

(i) The representations and warranties contained in Section 4.01 are correct on and as of the Effective Date, and

(ii) No event has occurred and is continuing that constitutes a Default.

(h) The Agent shall have received on or before the Effective Date the following, each dated such day, in form and substance satisfactory to the Agent and (except for the Revolving Credit Notes) in sufficient copies for each Lender:

(i) The Revolving Credit Notes to the order of the Lenders to the extent requested by any Lender pursuant to Section 2.16.

(ii) Certified copies of the resolutions of the Board of Directors of the Borrower approving this Agreement and the Notes, and of all documents evidencing other necessary corporate action and governmental approvals, if any, with respect to this Agreement and the Notes.

(iii) A certificate of the Secretary or an Assistant Secretary of the Borrower certifying the names and true signatures of the officers of the Borrower authorized to sign this Agreement and the Notes and the other documents to be delivered hereunder.

(iv) A favorable opinion of Susan F. Marrinan, General Counsel of the Borrower, and a favorable opinion of Foley & Lardner, counsel to the Borrower, substantially in the form of Exhibit D-1 and Exhibit D-2 hereto, respectively, and as to such other matters as any Lender through the Agent may reasonably request.

(v) A favorable opinion of Shearman & Sterling LLP, counsel for the Agent, in form and substance satisfactory to the Agent.

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SECTION 3.02. Conditions Precedent to Each Revolving Credit Borrowing and Extension Date. The obligation of each Lender to make a Revolving Credit Advance on the occasion of each Revolving Credit Borrowing and each extension of Commitments pursuant to Section 2.18 shall be subject to the conditions precedent that the Effective Date shall have occurred and on the date of such Revolving Credit Borrowing or the applicable Extension Date (a) the following statements shall be true (and each of the giving of the applicable Notice of Revolving Credit Borrowing, request for Commitment Extension and the acceptance by the Borrower of the proceeds of such Revolving Credit Borrowing shall constitute a representation and warranty by the Borrower that on the date of such Borrowing or such Extension Date such statements are true):

(i) the representations and warranties contained in Section 4.01 (except, in the case of Revolving Credit Borrowings, the representations set forth in the last sentence of subsection (e) thereof and in subsection (f)(i) thereof) are correct on and as of such date, before and after giving effect to such Revolving Credit Borrowing or such Extension Date and to the application of the proceeds therefrom, as though made on and as of such date,

(ii) no event has occurred and is continuing, or would result from such Revolving Credit Borrowing, such Extension Date or from the application of the proceeds therefrom, that constitutes a Default, and

(iii) after giving effect to such Revolving Credit Borrowing, the aggregate amount of the Borrower's Debt (not including other transactions relating to Snap-on Credit LLC) from any bank or financial institution or under any commercial paper facility or debt securities or securitization program outstanding will not exceed \$550,000,000 or, if greater, the amount authorized by resolutions of the Board of Directors in effect on the date of such Revolving Credit Borrowing;

and (b) the Agent shall have received such other approvals, opinions or documents as any Lender through the Agent may reasonably request.

SECTION 3.03. Conditions Precedent to Each Competitive Bid Borrowing. The

obligation of each Lender that is to make a Competitive Bid Advance on the occasion of a Competitive Bid Borrowing to make such Competitive Bid Advance as part of such Competitive Bid Borrowing is subject to the conditions precedent that (i) the Agent shall have received the written confirmatory Notice of Competitive Bid Borrowing with respect thereto, (ii) on or before the date of such Competitive Bid Borrowing, but prior to such Competitive Bid Borrowing, the Agent shall have received a Competitive Bid Note payable to the order of such Lender for each of the one or more Competitive Bid Advances to be made by such Lender as part of such Competitive Bid Borrowing, in a principal amount equal to the principal amount of the Competitive Bid Advance to be evidenced thereby and otherwise on such terms as were agreed to for such Competitive Bid Advance in accordance with Section 2.03, and (iii) on the date of such Competitive Bid Borrowing the following statements shall be true (and each of the giving of the applicable Notice of Competitive Bid Borrowing and the acceptance by the Borrower of the proceeds of such Competitive Bid Borrowing shall constitute a representation and warranty by the Borrower that on the date of such Competitive Bid Borrowing such statements are true):

(a) the representations and warranties contained in Section 4.01 are correct on and as of the date of such Competitive Bid Borrowing, before and after giving effect to such Competitive Bid Borrowing and to the application of the proceeds therefrom, as though made on and as of such date,

(b) no event has occurred and is continuing, or would result from such Competitive Bid Borrowing or from the application of the proceeds therefrom, that constitutes a Default,

(c) no event has occurred and no circumstance exists as a result of which the information concerning the Borrower that has been provided to the Agent and each Lender by the Borrower in connection herewith would include an untrue statement of a material fact or omit to state any material fact or any fact necessary to make the statements contained therein, in the light of the circumstances under which they were made, not misleading, and

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(d) after giving effect to such Competitive Bid Borrowing, the aggregate amount of the Borrower's Debt (not including other transactions relating to Snap-on Credit LLC) from any bank or financial institution or under any commercial paper facility or debt securities or securitization program outstanding will not exceed \$550,000,000 or, if greater, the amount authorized by resolutions of the Board of Directors in effect on the date of such Competitive Bid Borrowing;.

SECTION 3.04. Determinations Under Section 3.01. For purposes of determining compliance with the conditions specified in Section 3.01, each Lender shall be deemed to have consented to, approved or accepted or to be satisfied with each document or other matter required thereunder to be consented to or approved by or acceptable or satisfactory to the Lenders unless an officer of the Agent responsible for the transactions contemplated by this Agreement shall have received notice from such Lender prior to the date that the Borrower, by notice to the Lenders, designates as the proposed Effective Date, specifying its objection thereto. The Agent shall promptly notify the Lenders of the occurrence of the Effective Date.

#### ARTICLE IV

##### REPRESENTATIONS AND WARRANTIES

SECTION 4.01. Representations and Warranties of the Borrower. The Borrower represents and warrants as follows:

(a) The Borrower is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware.

(b) The execution, delivery and performance by the Borrower of this Agreement and the Notes to be delivered by it, and the consummation of the transactions contemplated hereby, are within the Borrower's corporate powers, have been duly authorized by all necessary corporate action, and do not contravene (i) the Borrower's charter or by-laws or (ii) law or any contractual restriction binding on or affecting the Borrower.

(c) No authorization or approval or other action by, and no notice to

or filing with, any governmental authority or regulatory body or any other third party is required as a condition to the due execution, delivery and performance by the Borrower of this Agreement or the Notes to be delivered by it.

(d) This Agreement has been, and each of the Notes to be delivered by it when delivered hereunder will have been, duly executed and delivered by the Borrower. This Agreement is, and each of the Notes when delivered hereunder will be, the legal, valid and binding obligation of the Borrower enforceable against the Borrower in accordance with their respective terms.

(e) The Consolidated balance sheet of the Borrower and its Subsidiaries as at December 31, 2002, and the related Consolidated statements of income and cash flows of the Borrower and its Subsidiaries for the fiscal year then ended, accompanied by an opinion of Deloitte & Touche LLP, independent public accountants, and the Consolidated balance sheet of the Borrower and its Subsidiaries as at June 30, 2003, and the related Consolidated statements of income and cash flows of the Borrower and its Subsidiaries for the six months then ended, duly certified by the chief financial officer of the Borrower, copies of which have been furnished to each Lender, fairly present, subject, in the case of said balance sheet as at June 30, 2003, and said statements of income and cash flows for the six months then ended, to year-end audit adjustments, the Consolidated financial condition of the Borrower and its Subsidiaries as at such dates and the Consolidated results of the operations of the Borrower and its Subsidiaries for the periods ended on such dates, all in accordance with generally accepted accounting principles consistently applied. Since December 31, 2002, there has been no Material Adverse Change.

(f) There is no pending or threatened action, suit, investigation, litigation or proceeding, including, without limitation, any Environmental Action, affecting the Borrower or any of its Subsidiaries

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before any court, governmental agency or arbitrator that (i) would be reasonably likely to have a Material Adverse Effect (other than the Disclosed Litigation) or (ii) purports to affect the legality, validity or enforceability of this Agreement or any Note or the consummation of the transactions contemplated hereby, and there has been no materially adverse change in the status, or financial effect on the Borrower or any of its Subsidiaries, of the Disclosed Litigation from that described on Schedule 3.01(b) hereto.

(g) The Borrower is not engaged in the business of extending credit for the purpose of purchasing or carrying margin stock (within the meaning of Regulation U issued by the Board of Governors of the Federal Reserve System), and no proceeds of any Advance will be used to purchase or carry any margin stock or to extend credit to others for the purpose of purchasing or carrying any margin stock.

(h) The Borrower is not an "investment company", or a company "controlled" by an "investment company", within the meaning of the Investment Company Act of 1940, as amended.

#### ARTICLE V

##### COVENANTS OF THE BORROWER

SECTION 5.01. Affirmative Covenants. So long as any Advance shall remain unpaid or any Lender shall have any Commitment hereunder, the Borrower will:

(a) Compliance with Laws, Etc. Comply, and cause each of its Subsidiaries to comply, in all material respects, with all applicable and material laws, rules, regulations and orders, such compliance to include, without limitation, compliance with ERISA and Environmental Laws.

(b) Payment of Taxes, Etc. Pay and discharge, and cause each of its Subsidiaries to pay and discharge, before the same shall become delinquent, (i) all taxes, assessments and governmental charges or levies imposed upon it or upon its property and (ii) all lawful claims that, if unpaid, might by law become a Lien upon its property; provided, however, that neither the Borrower nor any of its Subsidiaries shall be required to pay or discharge any such tax, assessment, charge or claim that is being contested in good

faith and by proper proceedings and as to which appropriate reserves are being maintained, unless and until any Lien resulting therefrom attaches to its property and becomes enforceable against its other creditors.

(c) Maintenance of Insurance. Maintain, and cause each of its Subsidiaries to maintain, insurance with responsible and reputable insurance companies or associations in such amounts and covering such risks as is usually carried by companies engaged in similar businesses and owning similar properties in the same general areas in which the Borrower or such Subsidiary operates; provided, however, that the Borrower and its Subsidiaries may self-insure to the same extent as other companies engaged in similar businesses and owning similar properties in the same general areas in which the Borrower or such Subsidiary operates and to the extent consistent with prudent business practice.

(d) Preservation of Corporate Existence, Etc. Preserve and maintain, and cause each of its Subsidiaries to preserve and maintain, its corporate existence, rights (charter and statutory) and franchises; provided, however, that the Borrower and its Subsidiaries may consummate any merger or consolidation permitted under Section 5.02(b) and provided further that neither the Borrower nor any of its Subsidiaries shall be required to preserve any right or franchise if the Board of Directors of the Borrower or such Subsidiary shall determine that the preservation thereof is no longer desirable in the conduct of the business of the Borrower or such Subsidiary, as the case may be, and that the loss thereof is not disadvantageous in any material respect to the Borrower, such Subsidiary or the Lenders.

(e) Visitation Rights. At any reasonable time and from time to time and, so long as no Default has occurred and is continuing, upon reasonable notice, permit the Agent or any of the Lenders or any agents or representatives thereof, to examine and make copies of and abstracts from the records and

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books of account of, and visit the properties of, the Borrower and any of its Subsidiaries, and to discuss the affairs, finances and accounts of the Borrower and any of its Subsidiaries with any of their officers or directors and with their independent certified public accountants.

(f) Keeping of Books. Keep, and cause each of its Subsidiaries to keep, proper books of record and account, in which full and correct entries shall be made of all financial transactions and the assets and business of the Borrower and each such Subsidiary in accordance with generally accepted accounting principles in effect from time to time.

(g) Maintenance of Properties, Etc. Maintain and preserve, and cause each of its Subsidiaries to maintain and preserve, all of its properties that are used or useful in the conduct of its business in good working order and condition, ordinary wear and tear excepted.

(h) Transactions with Affiliates. Conduct, and cause each of its Subsidiaries to conduct, all transactions otherwise permitted under this Agreement with any of their Affiliates on terms that are fair and reasonable and no less favorable to the Borrower or such Subsidiary than it would obtain in a comparable arm's-length transaction with a Person not an Affiliate, provided that the Borrower and its Subsidiaries may transact business with Snap-On Credit LLC on a basis consistent with past practice.

(i) Reporting Requirements. Furnish to the Agent:

(i) as soon as available and in any event within 60 days after the end of each of the first three quarters of each fiscal year of the Borrower, the Consolidated balance sheet of the Borrower and its Subsidiaries as of the end of such quarter and Consolidated statements of income and cash flows of the Borrower and its Subsidiaries for the period commencing at the end of the previous fiscal year and ending with the end of such quarter, duly certified (subject to year-end audit adjustments) by the chief financial officer or treasurer of the Borrower as having been prepared in accordance with generally accepted accounting principles and certificates of the chief financial officer or treasurer of the Borrower as to compliance with the terms of this Agreement and setting forth in reasonable detail the calculations

necessary to demonstrate compliance with Section 5.03, provided that in the event of any change in GAAP used in the preparation of such financial statements, the Borrower shall also provide, if necessary for the determination of compliance with Section 5.03, a statement of reconciliation conforming such financial statements to GAAP;

(ii) as soon as available and in any event within 120 days after the end of each fiscal year of the Borrower, a copy of the annual audit report for such year for the Borrower and its Subsidiaries, containing the Consolidated balance sheet of the Borrower and its Subsidiaries as of the end of such fiscal year and Consolidated statements of income and cash flows of the Borrower and its Subsidiaries for such fiscal year, in each case accompanied by an opinion acceptable to the Required Lenders by Deloitte & Touche LLP or other independent public accountants acceptable to the Required Lenders, provided that in the event of any change in GAAP used in the preparation of such financial statements, the Borrower shall also provide, if necessary for the determination of compliance with Section 5.03, a statement of reconciliation conforming such financial statements to GAAP;

(iii) as soon as possible and in any event within five days after the occurrence of each Default continuing on the date of such statement, a statement of the chief financial officer or treasurer of the Borrower setting forth details of such Default and the action that the Borrower has taken and proposes to take with respect thereto;

(iv) promptly after the sending or filing thereof, copies of all reports that the Borrower sends to any of its securityholders as such, and copies of all reports and registration

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statements that the Borrower or any Subsidiary files with the Securities and Exchange Commission or any national securities exchange;

(v) promptly after the commencement thereof, notice of all actions and proceedings before any court, governmental agency or arbitrator affecting the Borrower or any of its Subsidiaries of the type described in Section 4.01(f);

(vi) promptly after the adoption thereof, notice of the increased amount of the Borrower's Debt (not including other transactions relating to Snap-on Credit LLC) from any bank or financial institution or under any commercial paper facility or debt securities or securitization program authorized to be outstanding, together with certified copies of the resolutions of the Board of Directors of the Borrower approving such increase; and

(vii) such other information respecting the Borrower or any of its Subsidiaries as any Lender through the Agent may from time to time reasonably request.

SECTION 5.02. Negative Covenants. So long as any Advance shall remain unpaid or any Lender shall have any Commitment hereunder, the Borrower will not:

(a) Liens, Etc. Create or suffer to exist, or permit any of its Subsidiaries to create or suffer to exist, any Lien on or with respect to any of its properties, whether now owned or hereafter acquired, or assign, or permit any of its Subsidiaries to assign, any right to receive income, other than:

(i) Permitted Liens,

(ii) purchase money Liens upon or in any real property or equipment acquired or held by the Borrower or any Subsidiary in the ordinary course of business to secure the purchase price of such property or equipment or to secure Debt incurred solely for the purpose of financing the acquisition of such property or equipment, or Liens existing on such property or equipment at the time of its acquisition (other than any such Liens created in contemplation of such acquisition that were not incurred to finance the acquisition of such property) or extensions, renewals or replacements of any of the

foregoing for the same or a lesser amount, provided, however, that no such Lien shall extend to or cover any properties of any character other than the real property or equipment being acquired, and no such extension, renewal or replacement shall extend to or cover any properties not theretofore subject to the Lien being extended, renewed or replaced, provided further that the aggregate principal amount of the indebtedness secured by the Liens referred to in this clause (ii) shall not exceed \$25,000,000,

(iii) the Liens existing on the Effective Date and described on Schedule 5.02(a) hereto,

(iv) Liens on property of a Person existing at the time such Person is merged into or consolidated with the Borrower or any Subsidiary of the Borrower or becomes a Subsidiary of the Borrower; provided that such Liens were not created in contemplation of such merger, consolidation or acquisition and do not extend to any assets other than those of the Person so merged into or consolidated with the Borrower or such Subsidiary or acquired by the Borrower or such Subsidiary,

(v) other Liens securing Debt in an aggregate principal amount not to exceed \$50,000,000 at any time outstanding,

(vi) sales of accounts receivable arising in connection a transaction described in the proviso to the definition of "Debt" in Section 1.01, and

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(vii) the replacement, extension or renewal of any Lien permitted by clause (iii) or (iv) above upon or in the same property theretofore subject thereto or the replacement, extension or renewal (without increase in the amount or change in any direct or contingent obligor) of the Debt secured thereby.

(b) Mergers, Etc. Merge or consolidate with or into, or convey, transfer, lease or otherwise dispose of (whether in one transaction or in a series of transactions) all or substantially all of its assets (whether now owned or hereafter acquired) to, any Person, or permit any of its Subsidiaries to do so, except that (i) any Subsidiary of the Borrower may merge or consolidate with or into, or dispose of assets to, any other Subsidiary of the Borrower, (ii) any Subsidiary of the Borrower may merge into or dispose of assets to the Borrower and (iii) the Borrower may merge into a wholly owned Subsidiary of the Borrower that has no material assets or liabilities for the sole purpose of changing the state of incorporation of the Borrower if the surviving corporation shall expressly assume the liabilities of the Borrower under this Agreement and the Notes, provided, in each case, that no Default shall have occurred and be continuing at the time of such proposed transaction or would result therefrom.

(c) Accounting Changes. Make or permit, or permit any of its Subsidiaries to make or permit, any change in accounting policies or reporting practices, except as required or permitted by generally accepted accounting principles.

(d) Change in Nature of Business. Make, or permit any of its Subsidiaries to make, any material change in the nature of the business of the Borrower and its Subsidiaries taken as a whole as carried on at the date hereof.

SECTION 5.03. Financial Covenant. So long as any Advance shall remain unpaid or any Lender shall have any Commitment hereunder, the Borrower will maintain a ratio of Consolidated Debt to the sum of Consolidated Debt plus shareholders' equity of not greater than 0.60:1.00.

#### ARTICLE VI

#### EVENTS OF DEFAULT

SECTION 6.01. Events of Default. If any of the following events ("Events of Default") shall occur and be continuing:

(a) The Borrower shall fail to pay any principal of any Advance when

the same becomes due and payable; or the Borrower shall fail to pay any interest on any Advance or make any other payment of fees or other amounts payable under this Agreement or any Note within three Business Days after the same becomes due and payable; or

(b) Any representation or warranty made by the Borrower herein or by the Borrower (or any of its officers) in connection with this Agreement shall prove to have been incorrect in any material respect when made; or

(c) (i) The Borrower shall fail to perform or observe any term, covenant or agreement contained in Section 5.01(d), (e) or (i), 5.02 or 5.03, or (ii) the Borrower shall fail to perform or observe any other term, covenant or agreement contained in this Agreement on its part to be performed or observed if such failure shall remain unremedied for 30 days after written notice thereof shall have been given to the Borrower by the Agent or any Lender; or

(d) The Borrower or any of its Subsidiaries shall fail to pay any principal of or premium or interest on any Debt that is outstanding in a principal or net amount of at least \$25,000,000 in the aggregate (but excluding Debt outstanding hereunder) of the Borrower or such Subsidiary (as the case may be), when the same becomes due and payable (whether by scheduled maturity, required prepayment, acceleration,

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demand or otherwise), and such failure shall continue after the applicable grace period, if any, specified in the agreement or instrument relating to such Debt; or any other event shall occur or condition shall exist under any agreement or instrument relating to any such Debt and shall continue after the applicable grace period, if any, specified in such agreement or instrument, if the effect of such event or condition is to accelerate, or to permit the acceleration of, the maturity of such Debt; or any such Debt shall be declared to be due and payable, or required to be prepaid or redeemed (other than by a regularly scheduled required prepayment or redemption), purchased or defeased, or an offer to prepay, redeem, purchase or defease such Debt shall be required to be made, in each case prior to the stated maturity thereof; or

(e) The Borrower or any of its Subsidiaries shall generally not pay its debts as such debts become due, or shall admit in writing its inability to pay its debts generally, or shall make a general assignment for the benefit of creditors; or any proceeding shall be instituted by or against the Borrower or any of its Subsidiaries seeking to adjudicate it a bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief, or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee, custodian or other similar official for it or for any substantial part of its property and, in the case of any such proceeding instituted against it (but not instituted by it), either such proceeding shall remain undismissed or unstayed for a period of 60 days, or any of the actions sought in such proceeding (including, without limitation, the entry of an order for relief against, or the appointment of a receiver, trustee, custodian or other similar official for, it or for any substantial part of its property) shall occur; or the Borrower or any of its Subsidiaries shall take any corporate action to authorize any of the actions set forth above in this subsection (e); or

(f) Judgments or orders for the payment of money in excess of \$25,000,000 in the aggregate shall be rendered against the Borrower or any of its Subsidiaries with respect to which (i) enforcement proceedings shall have been commenced by any creditor upon such judgments or orders or (ii) there shall be any period of 10 consecutive days during which a stay of enforcement of such judgments or orders, by reason of a pending appeal or otherwise, shall not be in effect; provided, however, that any such judgment or order shall not be an Event of Default or included in the calculation of the aggregate amount of judgments or orders under this Section 6.01(f) if and for so long as (i) the amount of such judgment or order is covered by a valid and binding policy of insurance between the defendant and the insurer covering payment thereof and (ii) such insurer, which shall be rated at least "A" by A.M. Best Company, has been notified of, and has not disputed the claim made for payment of, the amount of such judgment or order; or

(g) Any non-monetary judgment or order shall be rendered against the Borrower or any of its Subsidiaries that would be reasonably expected to have a Material Adverse Effect, and there shall be any period of 10 consecutive days during which a stay of enforcement of such judgment or order, by reason of a pending appeal or otherwise, shall not be in effect; or

(h) (i) Any Person or two or more Persons acting in concert (other than any Related Person) shall have acquired beneficial ownership (within the meaning of Rule 13d-3 of the Securities and Exchange Commission under the Securities Exchange Act of 1934), directly or indirectly, of Voting Stock of the Borrower (or other securities convertible into such Voting Stock) representing 15% or more of the combined voting power of all Voting Stock of the Borrower; or (ii) during any period of up to 24 consecutive months, commencing after the date of this Agreement, individuals who at the beginning of such 24-month period were directors of the Borrower shall cease for any reason to constitute a majority of the board of directors of the Borrower; or (iii) any Person or two or more Persons acting in concert (other than any Related Person) shall have acquired by contract or otherwise, or shall have entered into a contract or arrangement that, upon consummation, will result in its or their acquisition of the power to exercise, directly or indirectly, a controlling influence over the management or policies of the Borrower; or

(i) The Borrower or any of its ERISA Affiliates shall incur, or shall be reasonably likely to incur liability in excess of \$25,000,000 in the aggregate as a result of one or more of the following: (i) the occurrence of any ERISA Event; (ii) the partial or complete withdrawal of the Borrower or any of its

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ERISA Affiliates from a Multiemployer Plan; or (iii) the reorganization or termination of a Multiemployer Plan;

then, and in any such event, the Agent (i) shall at the request, or may with the consent, of the Required Lenders, by notice to the Borrower, declare the obligation of each Lender to make Advances to be terminated, whereupon the same shall forthwith terminate, and (ii) shall at the request, or may with the consent, of the Required Lenders, by notice to the Borrower, declare the Advances, all interest thereon and all other amounts payable under this Agreement to be forthwith due and payable, whereupon the Advances, all such interest and all such amounts shall become and be forthwith due and payable, without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by the Borrower; provided, however, that in the event of an actual or deemed entry of an order for relief with respect to the Borrower under the Federal Bankruptcy Code, (A) the obligation of each Lender to make Advances shall automatically be terminated and (B) the Advances, all such interest and all such amounts shall automatically become and be due and payable, without presentment, demand, protest or any notice of any kind, all of which are hereby expressly waived by the Borrower.

## ARTICLE VII

### THE AGENT

SECTION 7.01. Authorization and Action. Each Lender hereby appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers and discretion under this Agreement as are delegated to the Agent by the terms hereof, together with such powers and discretion as are reasonably incidental thereto. As to any matters not expressly provided for by this Agreement (including, without limitation, enforcement or collection of the Notes), the Agent shall not be required to exercise any discretion or take any action, but shall be required to act or to refrain from acting (and shall be fully protected in so acting or refraining from acting) upon the instructions of the Required Lenders, and such instructions shall be binding upon all Lenders and all holders of Notes; provided, however, that the Agent shall not be required to take any action that exposes the Agent to personal liability or that is contrary to this Agreement or applicable law. The Agent agrees to give to each Lender prompt notice of each notice given to it by the Borrower pursuant to the terms of this Agreement.

SECTION 7.02. Agent's Reliance, Etc. Neither the Agent nor any of its



directors, officers, agents or employees shall be liable for any action taken or omitted to be taken by it or them under or in connection with this Agreement, except for its or their own gross negligence or willful misconduct. Without limitation of the generality of the foregoing, the Agent: (i) may treat the Lender that made any Advance as the holder of the Debt resulting therefrom until the Agent receives and accepts an Assumption Agreement entered into by an Assuming Lender as provided in Section 2.18 or an Assignment and Acceptance entered into by such Lender, as assignor, and an Eligible Assignee, as assignee, as provided in Section 8.07; (ii) may consult with legal counsel (including counsel for the Borrower), independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken in good faith by it in accordance with the advice of such counsel, accountants or experts; (iii) makes no warranty or representation to any Lender and shall not be responsible to any Lender for any statements, warranties or representations (whether written or oral) made in or in connection with this Agreement; (iv) shall not have any duty to ascertain or to inquire as to the performance or observance of any of the terms, covenants or conditions of this Agreement on the part of the Borrower or to inspect the property (including the books and records) of the Borrower; (v) shall not be responsible to any Lender for the due execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement or any other instrument or document furnished pursuant hereto; and (vi) shall incur no liability under or in respect of this Agreement by acting upon any notice, consent, certificate or other instrument or writing (which may be by telecopier, telegram or telex) believed by it to be genuine and signed or sent by the proper party or parties.

SECTION 7.03. Citibank and Affiliates. With respect to its Commitment, the Advances made by it and the Note issued to it, Citibank shall have the same rights and powers under this Agreement as any other Lender and may exercise the same as though it were not the Agent; and the term "Lender" or "Lenders" shall, unless otherwise expressly indicated, include Citibank in its individual capacity. Citibank and its Affiliates may accept deposits from, lend money to, act as trustee under indentures of, accept investment banking engagements from and generally engage in any kind of business with, the Borrower, any of its Subsidiaries and any Person who may do

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business with or own securities of the Borrower or any such Subsidiary, all as if Citibank were not the Agent and without any duty to account therefor to the Lenders.

SECTION 7.04. Lender Credit Decision. Each Lender acknowledges that it has, independently and without reliance upon the Agent or any other Lender and based on the financial statements referred to in Section 4.01 and such other documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon the Agent or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement.

SECTION 7.05. Indemnification. The Lenders agree to indemnify the Agent (to the extent not reimbursed by the Borrower), ratably according to the respective principal amounts of the Revolving Credit Advances then owed to each of them (or if no Revolving Credit Advances are at the time outstanding, ratably according to the respective amounts of their Commitments), from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever that may be imposed on, incurred by, or asserted against the Agent in any way relating to or arising out of this Agreement or any action taken or omitted by the Agent under this Agreement (collectively, the "Indemnified Costs"), provided that no Lender shall be liable for any portion of the Indemnified Costs resulting from the Agent's gross negligence or willful misconduct. Without limitation of the foregoing, each Lender agrees to reimburse the Agent promptly upon demand for its ratable share of any out-of-pocket expenses (including reasonable counsel fees) incurred by the Agent in connection with the preparation, execution, delivery, administration, modification, amendment or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement, to the extent that the Agent is not reimbursed for such expenses by the Borrower. In the case of any investigation, litigation or proceeding giving rise to any Indemnified Costs, this Section 7.05 applies whether any such investigation, litigation or proceeding is brought by the Agent, any Lender or a third party.

SECTION 7.06. Successor Agent. The Agent may resign at any time by giving written notice thereof to the Lenders and the Borrower and may be removed at any time with or without cause by the Required Lenders. Upon any such resignation or removal, the Required Lenders shall have the right to appoint a successor Agent with the consent, not to be unreasonably withheld or delayed, of the Borrower so long as no Default has occurred and is continuing. If no successor Agent shall have been so appointed by the Required Lenders, and shall have accepted such appointment, within 30 days after the retiring Agent's giving of notice of resignation or the Required Lenders' removal of the retiring Agent, then the retiring Agent may, on behalf of the Lenders and with the consent, not to be unreasonably withheld or delayed, of the Borrower so long as no Default has occurred and is continuing, appoint a successor Agent, which shall be a commercial bank organized under the laws of the United States of America or of any State thereof and having a combined capital and surplus of at least \$500,000,000. Upon the acceptance of any appointment as Agent hereunder by a successor Agent, such successor Agent shall thereupon succeed to and become vested with all the rights, powers, discretion, privileges and duties of the retiring Agent, and the retiring Agent shall be discharged from its duties and obligations under this Agreement. After any retiring Agent's resignation or removal hereunder as Agent, the provisions of this Article VII shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Agent under this Agreement.

SECTION 7.07. Sub-Agent. The Sub-Agent has been designated under this Agreement to carry out duties of the Agent. The Sub-Agent shall be subject to each of the obligations in this Agreement to be performed by the Sub-Agent, and each of the Borrower and the Lenders agrees that the Sub-Agent shall be entitled to exercise each of the rights and shall be entitled to each of the benefits of the Agent under this Agreement as relate to the performance of its obligations hereunder.

SECTION 7.08. Other Agents. Each Lender hereby acknowledges that neither the syndication agent nor any other Lender designated as any "Co-Agent" on the signature pages hereof has any liability hereunder other than in its capacity as a Lender.

#### ARTICLE VIII

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#### MISCELLANEOUS

SECTION 8.01. Amendments, Etc. No amendment or waiver of any provision of this Agreement or the Revolving Credit Notes, nor consent to any departure by the Borrower therefrom, shall in any event be effective unless the same shall be in writing and signed by the Required Lenders, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; provided, however, that no amendment, waiver or consent shall, unless in writing and signed by all the Lenders, do any of the following: (a) waive any of the conditions specified in Section 3.01, (b) increase the Commitments of the Lenders or subject the Lenders to any additional obligations, (c) reduce the principal of, or interest on, the Revolving Credit Advances or any fees or other amounts payable hereunder, (d) postpone any date fixed for any payment of principal of, or interest on, the Revolving Credit Advances or any fees or other amounts payable hereunder, (e) change the percentage of the Commitments or of the aggregate unpaid principal amount of the Revolving Credit Advances, or the number of Lenders, that shall be required for the Lenders or any of them to take any action hereunder or (f) amend this Section 8.01; and provided further that no amendment, waiver or consent shall, unless in writing and signed by the Agent in addition to the Lenders required above to take such action, affect the rights or duties of the Agent under this Agreement or any Note.

SECTION 8.02. Notices, Etc. (a) All notices and other communications provided for hereunder shall be (x) in writing (including telecopier, telegraphic or telex communication) and sent by reputable overnight courier, telecopied, telegraphed, telexed or delivered or (y) as and to the extent set forth in Section 8.02(b) and in the proviso to this Section 8.02(a), if to the Borrower, at its address at 10801 Corporate Drive, Pleasant Prairie, Wisconsin 53158, Attention: Martin M. Ellen, Senior Vice President and Chief Financial Officer, and Jeffrey F. Kostrzewa, Director Treasury Operations and Finance, with copies to 10801 Corporate Drive, Pleasant Prairie, Wisconsin 53158, Attention: Susan F. Marrinan, General Counsel; if to any Initial Lender, at its

Domestic Lending Office specified opposite its name on Schedule I hereto; if to any other Lender, at its Domestic Lending Office specified in the Assumption Agreement or the Assignment and Acceptance pursuant to which it became a Lender; and if to the Agent, at its address at Two Penns Way, New Castle, Delaware 19720, Attention: Bank Loan Syndications Department; or, as to the Borrower or the Agent, at such other address as shall be designated by such party in a written notice to the other parties and, as to each other party, at such other address as shall be designated by such party in a written notice to the Borrower and the Agent, provided that materials required to be delivered pursuant to Section 5.01(i)(i), (ii) or (iv) shall be delivered to the Agent as specified in Section 8.02(b) or as otherwise specified to the Borrower by the Agent. All such notices and communications shall, when mailed, telecopied, telegraphed or e-mailed, be effective when deposited in the mails, telecopied, delivered to the telegraph company or confirmed by e-mail, respectively, except that notices and communications to the Agent pursuant to Article II, III or VII shall not be effective until received by the Agent. Delivery by telecopier of an executed counterpart of any amendment or waiver of any provision of this Agreement or the Notes or of any Exhibit hereto to be executed and delivered hereunder shall be effective as delivery of a manually executed counterpart thereof.

(b) So long as Citibank or any of its Affiliates is the Agent, notwithstanding anything to the contrary herein, materials required to be delivered pursuant to Section 5.01(i)(i), (ii) and (iv) shall be delivered to the Agent in an electronic medium in a format acceptable to the Agent and the Lenders by e-mail at oploanswebadmin@citigroup.com. The Borrower agrees that the Agent may make such materials, as well as any other written information, documents, instruments and other material relating to the Borrower, any of its Subsidiaries or any other materials or matters relating to this Agreement, the Notes or any of the transactions contemplated hereby (collectively, the "Communications") available to the Lenders by posting such Communications on Intralinks, "e-Disclosure", the Agent's internet delivery system that is part of Fixed Income Direct, Global Fixed Income's primary web portal, or a substantially similar electronic system (the "Platform"). The Borrower acknowledges that (i) the distribution of material through an electronic medium is not necessarily secure and that there are confidentiality and other risks associated with such distribution, (ii) the Platform is provided "as is" and "as available" and (iii) neither the Agent nor any of its Affiliates warrants the accuracy, adequacy or completeness of the Communications or the Platform and each expressly disclaims liability for errors or omissions in the Communications or the Platform. No warranty of any kind, express, implied or statutory, including, without limitation, any warranty of merchantability, fitness for a particular purpose, non-infringement of third party rights or freedom from viruses or other code defects, is made by the Agent or any of its Affiliates in connection with the Platform.

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(c) Each Lender agrees that any notice to it (as provided in the next sentence) (a "Notice") specifying that any Communications have been posted to the Platform shall constitute effective delivery of such information, documents or other materials to such Lender for purposes of this Agreement; provided that if requested by any Lender the Agent shall deliver a copy of the Communications to such Lender by email or telecopier. Each Lender agrees (i) to notify the Agent in writing of such Lender's e-mail address to which a Notice may be sent by electronic transmission (including by electronic communication) on or before the date such Lender becomes a party to this Agreement (and from time to time thereafter to ensure that the Agent has on record an effective e-mail address for such Lender) and (ii) that any Notice may be sent to such e-mail address.

SECTION 8.03. No Waiver; Remedies. No failure on the part of any Lender or the Agent to exercise, and no delay in exercising, any right hereunder or under any Note shall operate as a waiver thereof; nor shall any single or partial exercise of any such right preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

SECTION 8.04. Costs and Expenses. (a) The Borrower agrees to pay on demand all costs and expenses of the Agent in connection with the preparation, execution, delivery, administration, modification and amendment of this Agreement, the Notes and the other documents to be delivered hereunder, including, without limitation, (A) all due diligence, syndication (including printing, distribution and bank meetings), transportation, computer, duplication, appraisal, consultant, and audit expenses and (B) the reasonable fees and expenses of counsel for the Agent with respect thereto and with respect

to advising the Agent as to its rights and responsibilities under this Agreement. The Borrower further agrees to pay on demand all costs and expenses of the Agent and the Lenders, if any (including, without limitation, reasonable counsel fees and expenses), in connection with the enforcement (whether through negotiations, legal proceedings or otherwise) of this Agreement, the Notes and the other documents to be delivered hereunder, including, without limitation, reasonable fees and expenses of counsel for the Agent and each Lender in connection with the enforcement of rights under this Section 8.04(a).

(b) The Borrower agrees to indemnify and hold harmless the Agent and each Lender and each of their Affiliates and their officers, directors, employees, agents and advisors (each, an "Indemnified Party") from and against any and all claims, damages, losses, liabilities and expenses (including, without limitation, reasonable fees and expenses of counsel) incurred by or asserted or awarded against any Indemnified Party, in each case arising out of or in connection with or by reason of (including, without limitation, in connection with any investigation, litigation or proceeding or preparation of a defense in connection therewith) (i) the Notes, this Agreement, any of the transactions contemplated herein or the actual or proposed use of the proceeds of the Advances or (ii) the actual or alleged presence of Hazardous Materials on any property of the Borrower or any of its Subsidiaries, except to the extent (x) such claim, damage, loss, liability or expense resulted from such Indemnified Party's gross negligence or willful misconduct or (ii) such claim, damage, loss or expense arises from a litigation or proceeding among Lenders. In the case of an investigation, litigation or other proceeding to which the indemnity in this Section 8.04(b) applies, such indemnity shall be effective whether or not such investigation, litigation or proceeding is brought by the Borrower, its directors, shareholders or creditors or an Indemnified Party or any other Person or any Indemnified Party is otherwise a party thereto and whether or not the transactions contemplated hereby are consummated. The Borrower also agrees not to assert any claim for special, indirect, consequential or punitive damages against the Agent, any Lender, any of their Affiliates, or any of their respective directors, officers, employees, attorneys and agents, on any theory of liability, arising out of or otherwise relating to the Notes, this Agreement, any of the transactions contemplated herein or the actual or proposed use of the proceeds of the Advances.

(c) If any payment of principal of, or Conversion of, any Eurocurrency Rate Advance, LIBO Rate Advance or Local Rate Advance is made by the Borrower to or for the account of a Lender other than on the last day of the Interest Period for such Advance, as a result of a payment or Conversion pursuant to Section 2.08(d) or (e), 2.10 or 2.12, acceleration of the maturity of the Notes pursuant to Section 6.01 or for any other reason, or by an Eligible Assignee to a Lender other than on the last day of the Interest Period for such Advance upon an assignment of rights and obligations under this Agreement pursuant to Section 8.07 as a result of a demand by the Borrower pursuant to Section 8.07(a), the Borrower shall, upon demand by such Lender (with a copy of such demand to the Agent), pay to the Agent for the account of such Lender any amounts required to compensate such Lender for any additional losses, costs or expenses that it may reasonably incur as a result of such payment or Conversion, including, without limitation, any loss (including loss of anticipated profits), cost or expense incurred

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by reason of the liquidation or reemployment of deposits or other funds acquired by any Lender to fund or maintain such Advance.

(d) Without prejudice to the survival of any other agreement of the Borrower hereunder, the agreements and obligations of the Borrower contained in Sections 2.11, 2.14 and 8.04 shall survive the payment in full of principal, interest and all other amounts payable hereunder and under the Notes.

SECTION 8.05. Right of Set-off. Upon (i) the occurrence and during the continuance of any Event of Default and (ii) the making of the request or the granting of the consent specified by Section 6.01 to authorize the Agent to declare the Notes due and payable pursuant to the provisions of Section 6.01, each Lender and each of its Affiliates is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by such Lender or such Affiliate (but not including any insurance premiums) to or for the credit or the account of the Borrower against any and all of the obligations of the Borrower now or hereafter existing under this Agreement and the Note held by such Lender,

whether or not such Lender shall have made any demand under this Agreement or such Note and although such obligations may be unmatured. Each Lender agrees promptly to notify the Borrower after any such set-off and application, provided that the failure to give such notice shall not affect the validity of such set-off and application. The rights of each Lender and its Affiliates under this Section are in addition to other rights and remedies (including, without limitation, other rights of set-off) that such Lender and its Affiliates may have.

SECTION 8.06. Binding Effect. This Agreement shall become effective (other than Sections 2.01 and 2.03, which shall only become effective upon satisfaction of the conditions precedent set forth in Section 3.01) when it shall have been executed by the Borrower and the Agent and when the Agent shall have been notified by each Initial Lender that such Initial Lender has executed it and thereafter shall be binding upon and inure to the benefit of the Borrower, the Agent and each Lender and their respective successors and assigns, except that the Borrower shall not have the right to assign its rights hereunder or any interest herein without the prior written consent of the Lenders.

SECTION 8.07. Assignments and Participations. (a) Each Lender may and, if demanded by the Borrower (so long as no Default shall have occurred and be continuing and following a demand by such Lender pursuant to Section 2.11 or 2.14 or a notice given by such Lender pursuant to Section 2.12) upon at least five Business Days' notice to such Lender and the Agent, will assign to one or more Persons all or a portion of its rights and obligations under this Agreement (including, without limitation, all or a portion of its Commitment, the Revolving Credit Advances owing to it and the Revolving Credit Note or Notes held by it); provided, however, that (i) each such assignment shall be of a constant, and not a varying, percentage of all rights and obligations under this Agreement (other than any right to make Competitive Bid Advances, Competitive Bid Advances owing to it and Competitive Bid Notes), (ii) except in the case of an assignment to a Person that, immediately prior to such assignment, was a Lender or an assignment of all of a Lender's rights and obligations under this Agreement, the amount of the Commitment of the assigning Lender being assigned pursuant to each such assignment (determined as of the date of the Assignment and Acceptance with respect to such assignment) shall in no event be less than \$10,000,000 or an integral multiple of \$1,000,000 in excess thereof, (iii) each such assignment shall be to an Eligible Assignee, (iv) each such assignment made as a result of a demand by the Borrower pursuant to this Section 8.07(a) shall be arranged by the Borrower after consultation with the Agent and shall be either an assignment of all of the rights and obligations of the assigning Lender under this Agreement or an assignment of a portion of such rights and obligations made concurrently with another such assignment or other such assignments that together cover all of the rights and obligations of the assigning Lender under this Agreement, (v) no Lender shall be obligated to make any such assignment as a result of a demand by the Borrower pursuant to this Section 8.07(a) unless and until such Lender shall have received one or more payments from either the Borrower or one or more Eligible Assignees in an aggregate amount at least equal to the aggregate outstanding principal amount of the Advances owing to such Lender, together with accrued interest thereon to the date of payment of such principal amount and all other amounts payable to such Lender under this Agreement, and (vi) the parties to each such assignment shall execute and deliver to the Agent, for its acceptance and recording in the Register, an Assignment and Acceptance, together with any Revolving Credit Note subject to such assignment and a processing and recordation fee of \$3,500. Upon such execution, delivery, acceptance and recording, from and after the effective date specified in each Assignment and Acceptance, (x) the assignee thereunder shall be a party hereto and,

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to the extent that rights and obligations hereunder have been assigned to it pursuant to such Assignment and Acceptance, have the rights and obligations of a Lender hereunder and (y) the Lender assignor thereunder shall, to the extent that rights and obligations hereunder have been assigned by it pursuant to such Assignment and Acceptance, relinquish its rights and be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all or the remaining portion of an assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto).

(b) By executing and delivering an Assignment and Acceptance, the Lender assignor thereunder and the assignee thereunder confirm to and agree with each other and the other parties hereto as follows: (i) other than as provided in

such Assignment and Acceptance, such assigning Lender makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with this Agreement or the execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement or any other instrument or document furnished pursuant hereto; (ii) such assigning Lender makes no representation or warranty and assumes no responsibility with respect to the financial condition of the Borrower or the performance or observance by the Borrower of any of its obligations under this Agreement or any other instrument or document furnished pursuant hereto; (iii) such assignee confirms that it has received a copy of this Agreement, together with copies of the financial statements referred to in Section 4.01 and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into such Assignment and Acceptance; (iv) such assignee will, independently and without reliance upon the Agent, such assigning Lender or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement; (v) such assignee confirms that it is an Eligible Assignee; (vi) such assignee appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers and discretion under this Agreement as are delegated to the Agent by the terms hereof, together with such powers and discretion as are reasonably incidental thereto; and (vii) such assignee agrees that it will perform in accordance with their terms all of the obligations that by the terms of this Agreement are required to be performed by it as a Lender.

(c) Upon its receipt of an Assignment and Acceptance executed by an assigning Lender and an assignee representing that it is an Eligible Assignee, together with any Revolving Credit Note or Notes subject to such assignment, the Agent shall, if such Assignment and Acceptance has been completed and is in substantially the form of Exhibit C hereto, (i) accept such Assignment and Acceptance, (ii) record the information contained therein in the Register and (iii) give prompt notice thereof to the Borrower.

(d) The Agent shall maintain at its address referred to in Section 8.02 a copy of each Assumption Agreement and each Assignment and Acceptance delivered to and accepted by it and a register for the recordation of the names and addresses of the Lenders and the Commitment of, and principal amount of the Advances owing to, each Lender from time to time (the "Register"). The entries in the Register shall be conclusive and binding for all purposes, absent manifest error, and the Borrower, the Agent and the Lenders may treat each Person whose name is recorded in the Register as a Lender hereunder for all purposes of this Agreement. The Register shall be available for inspection by the Borrower or any Lender at any reasonable time and from time to time upon reasonable prior notice. (e) Each Lender may sell participations to one or more banks or other entities (other than the Borrower or any of its Affiliates) in or to all or a portion of its rights and obligations under this Agreement (including, without limitation, all or a portion of its Commitment, the Advances owing to it and any Note or Notes held by it); provided, however, that (i) such Lender's obligations under this Agreement (including, without limitation, its Commitment to the Borrower hereunder) shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, (iii) such Lender shall remain the holder of any such Note for all purposes of this Agreement, (iv) the Borrower, the Agent and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement and (v) no participant under any such participation shall have any right to approve any amendment or waiver of any provision of this Agreement or any Note, or any consent to any departure by the Borrower therefrom, except to the extent that such amendment, waiver or consent would reduce the principal of, or interest on, the Notes or any fees or other amounts payable hereunder, in each case to the extent subject to such participation, or postpone any date fixed for any payment of principal of, or interest on, the Notes or any fees or other amounts payable hereunder, in each case to the extent subject to such participation. The Borrower agrees that each

participant shall be entitled to the benefits of Sections 2.11, 2.14 and 8.04(b) and (c) to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to this Section 8.07; provided that no participant shall be entitled to receive any greater amount pursuant to any such section than the transferor Lender would have been entitled to receive in respect of the amount of the participation transferred by such transferor Lender to such participant had no such participation occurred.

(f) Any Lender may, in connection with any assignment or participation or proposed assignment or participation pursuant to this Section 8.07, disclose to the assignee or participant or proposed assignee or participant, any information relating to the Borrower furnished to such Lender by or on behalf of the Borrower; provided that, prior to any such disclosure, the assignee or participant or proposed assignee or participant shall agree to preserve the confidentiality of any Confidential Information relating to the Borrower received by it from such Lender.

(g) Notwithstanding anything to the contrary contained herein, any Lender (a "Granting Bank") may grant to any of its Affiliates (a "Funding Agent"), identified as such in writing from time to time by the Granting Bank to the Agent and the Borrower, the option to provide to the Borrower all or any part of any Advance that such Granting Bank would otherwise be obligated to make to the Borrower pursuant to this Agreement; provided that (i) nothing herein shall constitute a commitment by any Funding Agent to make any Advance, (ii) if a Funding Agent elects not to exercise such option or otherwise fails to provide all or any part of such Advance, the Granting Bank shall be obligated, as a principal and not as a surety, to make such Advance pursuant to the terms hereof. The making of an Advance by a Funding Agent hereunder shall utilize the Commitment of the Granting Bank to the same extent, and as if, such Advance were made by such Granting Bank. Each party hereto hereby agrees that no Funding Bank shall be liable for any indemnity or similar payment obligation under this Agreement (all liability for which shall remain with the Granting Bank). Notwithstanding the foregoing, neither any such grant made hereunder nor the holding of interest hereunder by any Funding Agent shall increase any of the Borrower's obligations and/or liabilities (including without limitation tax liabilities and other indemnities) which the Borrower has but for such grant or holding of interest ("Funding Agent Liabilities") and the Granting Bank shall hold the Borrower harmless and indemnify the Borrower from and against any and all Funding Agent Liabilities. Each party hereto agrees that the Granting Bank shall, for all purposes, including any amendment, waiver or modification of this Agreement, the Notes, or any document related thereto, remain the lender of record hereunder.

(h) Notwithstanding any other provision set forth in this Agreement, any Lender may at any time create a security interest in all or any portion of its rights under this Agreement (including, without limitation, the Advances owing to it and any Note or Notes held by it) in favor of any Federal Reserve Bank in accordance with Regulation A of the Board of Governors of the Federal Reserve System.

SECTION 8.08. Confidentiality. Neither the Agent nor any Lender shall disclose any Confidential Information to any other Person without the consent of the Borrower, other than (a) to the Agent's or such Lender's Affiliates and their officers, directors, employees, agents and advisors and, as contemplated by Section 8.07(f), to actual or prospective assignees and participants, and then only on a confidential basis, (b) as required by any law, rule or regulation or judicial process, and (c) as requested or required by any state, federal or foreign authority or examiner regulating banks or banking. Notwithstanding anything herein to the contrary, the Agent and the Lenders may disclose to any and all Persons, without limitation of any kind, the U.S. tax treatment and tax structure of the transactions contemplated hereby and all materials of any kind (including opinions or other tax analyses) that are provided to the Agent or any Lender relating to such U.S. tax treatment and tax structure.

SECTION 8.09. Governing Law. This Agreement and the Notes shall be governed by, and construed in accordance with, the laws of the State of New York.

SECTION 8.10. Execution in Counterparts. This Agreement 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 taken together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Agreement by telecopier shall be effective as delivery of a manually executed counterpart of this Agreement.

SECTION 8.11. Judgment. (a) If for the purposes of obtaining judgment in any court it is necessary to convert a sum due hereunder in Dollars into another currency, the parties hereto agree, to the fullest extent that they may

effectively do so, that the rate of exchange used shall be that at which in accordance with normal banking procedures the Agent could purchase Dollars with such other currency at Citibank's principal office in London at 11:00 A.M. (London time) on the Business Day preceding that on which final judgment is given.

(b) If for the purposes of obtaining judgment in any court it is necessary to convert a sum due hereunder in a Foreign Currency into Dollars, the parties agree to the fullest extent that they may effectively do so, that the rate of exchange used shall be that at which in accordance with normal banking procedures the Agent could purchase such Foreign Currency with Dollars at Citibank's principal office in London at 11:00 A.M. (London time) on the Business Day preceding that on which final judgment is given.

(c) The obligation of the Borrower in respect of any sum due from it in any currency (the "Primary Currency") to any Lender or the Agent hereunder shall, notwithstanding any judgment in any other currency, be discharged only to the extent that on the Business Day following receipt by such Lender or the Agent (as the case may be), of any sum adjudged to be so due in such other currency, such Lender or the Agent (as the case may be) may in accordance with normal banking procedures purchase the applicable Primary Currency with such other currency; if the amount of the applicable Primary Currency so purchased is less than such sum due to such Lender or the Agent (as the case may be) in the applicable Primary Currency, the Borrower agrees, as a separate obligation and notwithstanding any such judgment, to indemnify such Lender or the Agent (as the case may be) against such loss, and if the amount of the applicable Primary Currency so purchased exceeds such sum due to any Lender or the Agent (as the case may be) in the applicable Primary Currency, such Lender or the Agent (as the case may be) agrees to remit to the Borrower such excess.

SECTION 8.12. Jurisdiction, Etc. (a) Each of the parties hereto hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of any New York State court or federal court of the United States of America sitting in New York City, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement or the Notes, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in any such New York State court or, to the extent permitted by law, in such federal court. The Borrower hereby irrevocably consents to the service of process in any action or proceeding in such courts by the mailing thereof by any parties hereto by registered or certified mail, postage prepaid, with an additional notice by telecopier or by reputable overnight delivery service, to the Borrower at its address specified pursuant to Section 8.02. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement shall affect any right that any party may otherwise have to bring any action or proceeding relating to this Agreement or the Notes in the courts of any jurisdiction.

(b) Each of the parties hereto irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection that it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement or the Notes in any New York State or federal court. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

SECTION 8.13. Substitution of Currency. If a change in any Foreign Currency occurs pursuant to any applicable law, rule or regulation of any governmental, monetary or multi-national authority, this Agreement (including, without limitation, the definitions of Eurocurrency Rate and LIBO Rate) will be amended to the extent determined by the Agent (acting reasonably and in consultation with the Borrower) to be necessary to reflect the change in currency and to put the Lenders and the Borrower in the same position, so far as possible, that they would have been in if no change in such Foreign Currency had occurred. No such change in currency nor any economic consequences resulting therefrom shall (a) give rise to any right to terminate prematurely, contest, cancel, rescind, alter, modify or renegotiate the provisions of this Agreement or (b) discharge, excuse or otherwise affect the performance of any obligations of any of the Borrower or the Lenders under this Agreement.



SECTION 8.14. Waiver of Jury Trial. Each of the Borrower, the Agent and the Lenders hereby irrevocably waives all right to trial by jury in any action, proceeding or counterclaim (whether based on contract, tort or otherwise) arising out of or relating to this Agreement or the Notes or the actions of the Agent or any Lender in the negotiation, administration, performance or enforcement thereof.

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

SNAP-ON INCORPORATED

By /s/ Martin M. Ellen

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Title: Senior Vice President-Finance and  
Chief Financial Officer

THE AGENT

CITIBANK, N.A.,  
as Agent

By: /s/ Illegible

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Title:

INITIAL LENDERS

CITIBANK, N.A.,

By: /s/ Illegible

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Title:

BANK ONE, NA

By: /s/ Jenny A. Gilpin

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Title: Managing Director

BARCLAYS BANK PLC

By: /s/ Nicholas Bell

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Title: Director

MIZUHO CORPORATE BANK, LTD.

By: /s/ Greg Illegible

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Title: Vice President

ROYAL BANK OF CANADA

By: /s/ Sheryl Greenberg

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Title: Senior Manager

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SVENSKA HANDELSBANKEN AB (PUBL)

By: /s/ Mikael Westerback

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Title: Vice President

By: /s/ Jonas Daun

Title: Senior Vice President

BANK OF AMERICA, N.A.

By: /s/ Tim Cassidy

Title: Vice President

THE NORTHERN TRUST COMPANY

By: /s/ Melissa A. Whitson

Title: Vice President

SANPAOLO IMI S.p.A.

By: /s/ Illegible

Title: CEO for The Americas

By: /s/ Illegible

Title: Vice President

SOCIETE GENERALE

By: /s/ Paul D. Buie

Title: Associate

By: /s/ Betty Burg

Title: Director

U.S. BANK NATIONAL ASSOCIATION

By: /s/ Janell W. Stanosz

Title: Vice President

SCHEDULE I  
TO THE  
AMENDMENT AND RESTATEMENT

COMMITMENTS AND APPLICABLE LENDING OFFICES

Name of Initial Lender	Commitment	Domestic Lending Office	Eurocurrency Lending Office
Bank of America, N.A.	\$17,000,000	1850 Gateway Blvd. Concord, CA 94520 Attn: Debbie Conchongco T: 925 675-8913 F: 925 675-7539	1850 Gateway Blvd. Concord, CA 94520 Attn: Debbie Conchongco T: 925 675-8913 F: 925 675-7539
Barclays Bank PLC	\$20,000,000	200 Park Avenue New York, NY 10166 Attn: Eddie Cotto T: 212 412-3701 F: 212 412-5308	200 Park Avenue New York, NY 10166 Attn: Eddie Cotto T: 212 412-3701 F: 212 412-5308
Bank One, NA	\$20,000,000	1 Bank One Plaza, Suite 0088 Chicago, IL 60670 Attn: Edna Guerra T: 312 732-9609 F: 312 732-2715	1 Bank One Plaza, Suite 0088 Chicago, IL 60670 Attn: Edna Guerra T: 312 732-9609 F: 312 732-2715
Citibank, N.A.	\$22,000,000	Two Penns Way New Castle, DE 19720 Attn: Maureen Prytula T: 302 894-6089 F: 302 894-6120	Two Penns Way New Castle, DE 19720 Attn: Maureen Prytula T: 302 894-6089 F: 302 894-6120

Mizuho Corporate Bank, Ltd.	\$20,000,000	10 S. Wacker Drive Chicago, IL 60608 Attn: Michael Pleasants T: 312 715-6361 F: 312 876-2011	10 S. Wacker Drive Chicago, IL 60608 Attn: Michael Pleasants T: 312 715-6361 F: 312 876-2011
The Northern Trust Company	\$17,000,000	50 S. LaSalle Street Chicago, IL 60675 Attn: Linda Honda T: 312 444-3532 F: 312 630-1566	50 S. LaSalle Street Chicago, IL 60675 Attn: Linda Honda T: 312 444-3532 F: 312 630-1566
Royal Bank of Canada	\$20,000,000	One Liberty Plaza, 3rd Floor 165 Broadway New York, NY 10006 Attn: Loans Administration T: 212 428-6369 F: 212 428-2372	One Liberty Plaza, 3rd Floor 165 Broadway New York, NY 10006 Attn: Loans Administration T: 212 428-6369 F: 212 428-2372
Sanpaolo IMI S.p.A.	\$17,000,000	245 Park Avenue New York, NY 10167 Attn: Manuela Insana T: 212 692-3128 F: 212 692-3178	245 Park Avenue New York, NY 10167 Attn: Manuela Insana T: 212 692-3128 F: 212 692-3178

Societe Generale	\$17,000,000	560 Lexington Avenue New York, NY 10022 Attn: Sylvia Pace T: 212 278-6931 F: 212 278-7343	560 Lexington Avenue New York, NY 10022 Attn: Sylvia Pace T: 212 278-6931 F: 212 278-7343
Svenska Handelsbanken AB (publ)	\$20,000,000	153 East 53rd Street New York, NY 10022 Attn: Mikael Westerback T: 212 326-5144 F: 212 326-2705	153 East 53rd Street New York, NY 10022 Attn: Mikael Westerback T: 212 326-5125 F: 212 326-5151
U.S. Bank National Association	\$10,000,000	777 E. Wisconsin Ave. Milwaukee, WI 53202 Attn: Janell Stanosz T: 414 765-4419 F: 414 765-5367	777 E. Wisconsin Ave. Milwaukee, WI 53202 Attn: Janell Stanosz T: 414 765-4419 F: 414 765-5367

Total Commitment = U.S. \$200,000,000

EXHIBIT A-1 - FORM OF  
REVOLVING CREDIT  
PROMISSORY NOTE

U.S.\$ \_\_\_\_\_ Dated: \_\_\_\_\_, 200\_\_

FOR VALUE RECEIVED, the undersigned, SNAP-ON INCORPORATED, a Delaware corporation (the "Borrower"), HEREBY PROMISES TO PAY to the order of \_\_\_\_\_ (the "Lender") for the account of its Applicable Lending Office on the later of the Termination Date and the Maturity Date (each as defined in the Credit Agreement referred to below) the principal sum of U.S.\$[amount of the Lender's Commitment in figures] or, if less, the aggregate principal amount of the Revolving Credit Advances made by the Lender to the Borrower pursuant to the Amended and Restated 364-Day Credit Agreement dated as of August 1, 2003 among the Borrower, the Lender and certain other lenders parties thereto, Citigroup Global Markets Inc., as Lead Arranger and Book Manager, Banc One Capital Markets Inc., as Co-Arranger, Bank One, NA, as Syndication Agent, and Citibank, N.A. as Agent for the Lender and such other lenders (as amended or modified from time to time, the "Credit Agreement"; the terms defined therein being used herein as therein defined) outstanding on such date.

The Borrower promises to pay interest on the unpaid principal amount of each Revolving Credit Advance from the date of such Revolving Credit Advance until such principal amount is paid in full, at such interest rates, and payable at such times, as are specified in the Credit Agreement.

Both principal and interest in respect of each Revolving Credit Advance (i) in Dollars are payable in lawful money of the United States of America to the

This Promissory Note is one of the Revolving Credit Notes referred to in, and is entitled to the benefits of, the Credit Agreement. The Credit Agreement, among other things, (i) provides for the making of Revolving Credit Advances by the Lender to the Borrower from time to time in an aggregate amount not to exceed at any time outstanding the U.S. dollar amount first above mentioned, the indebtedness of the Borrower resulting from each such Revolving Credit Advance being evidenced by this Promissory Note, (ii) contains provisions for determining the Dollar Equivalent of Revolving Credit Advances denominated in Committed Currencies and (iii) contains provisions for acceleration of the maturity hereof upon the happening of certain stated events and also for prepayments on account of principal hereof prior to the maturity hereof upon the terms and conditions therein specified.

By \_\_\_\_\_  
 \_\_\_\_\_  
 Title: \_\_\_\_\_

## ADVANCES AND PAYMENTS OF PRINCIPAL.

[illegible]

EXHIBIT A-2 - FORM OF  
COMPETITIVE BID  
PROMISSORY NOTE

U.S.\$ \_\_\_\_\_ Dated: \_\_\_\_\_, 200\_\_

FOR VALUE RECEIVED, the undersigned, SNAP-ON INCORPORATED, a Delaware corporation (the "Borrower"), HEREBY PROMISES TO PAY to the order of \_\_\_\_\_ (the "Lender") for the account of its Applicable Lending Office (as defined in the Amended and Restated 364-Day Credit Agreement dated as of August 1, 2003 among the Borrower, the Lender and certain other lenders parties thereto, Citigroup Global Markets Inc., as Lead Arranger and Book Manager, Banc One Capital Markets Inc., as Co-Arranger, Bank One, NA, as Syndication Agent, and Citibank, N.A., as Agent for the Lender and such other lenders (as amended or modified from time to time, the "Credit Agreement"; the terms defined therein being used herein as therein defined)), on \_\_\_\_\_, 200\_, the principal amount of [U.S.\$\_\_\_\_\_] [for a Competitive Bid Advance in a Foreign Currency, list currency and amount of such

Advance].

The Borrower promises to pay interest on the unpaid principal amount hereof from the date hereof until such principal amount is paid in full, at the interest rate and payable on the interest payment date or dates provided below:

Interest Rate: \_\_\_\_\_% per annum (calculated on the basis of a year of \_\_\_\_\_ days for the actual number of days elapsed).

Both principal and interest are payable in lawful money of \_\_\_\_\_ to Citibank, as agent, for the account of the Lender at the office of \_\_\_\_\_, at \_\_\_\_\_ in same day funds.

This Promissory Note is one of the Competitive Bid Notes referred to in, and is entitled to the benefits of, the Credit Agreement. The Credit Agreement, among other things, contains provisions for acceleration of the maturity hereof upon the happening of certain stated events.

The Borrower hereby waives presentment, demand, protest and notice of any kind. No failure to exercise, and no delay in exercising, any rights hereunder on the part of the holder hereof shall operate as a waiver of such rights.

This Promissory Note shall be governed by, and construed in accordance with, the laws of the State of New York.

SNAP-ON INCORPORATED

By \_\_\_\_\_  
Title:

EXHIBIT B-1 - FORM OF NOTICE OF  
REVOLVING CREDIT BORROWING

Citibank, N.A., as Agent  
for the Lenders parties  
to the Credit Agreement  
referred to below  
Two Penns Way  
New Castle, Delaware 19720

[Date]

Attention: Bank Loan Syndications Department

Ladies and Gentlemen:

The undersigned, SNAP-ON INCORPORATED, refers to the Amended and Restated 364-Day Credit Agreement, dated as of August 1, 2003 (as amended or modified from time to time, the "Credit Agreement", the terms defined therein being used herein as therein defined), among the undersigned, certain Lenders parties thereto, Citigroup Global Markets Inc., as Lead Arranger and Book Manager, Banc One Capital Markets Inc., as Co-Arranger, Bank One, NA, as Syndication Agent, and Citibank, N.A., as Agent for said Lenders, and hereby gives you notice, irrevocably, pursuant to Section 2.02 of the Credit Agreement that the undersigned hereby requests a Revolving Credit Borrowing under the Credit Agreement, and in that connection sets forth below the information relating to such Revolving Credit Borrowing (the "Proposed Revolving Credit Borrowing") as required by Section 2.02(a) of the Credit Agreement:

(i) The Business Day of the Proposed Revolving Credit Borrowing is \_\_\_\_\_, 200\_.

(ii) The Type of Advances comprising the Proposed Revolving Credit Borrowing is [Base Rate Advances] [Eurocurrency Rate Advances].

(iii) The aggregate amount of the Proposed Revolving Credit Borrowing is [\$\_\_\_\_\_] [for a Revolving Credit Borrowing in a Committed Currency, list currency and amount of Revolving Credit Borrowing].

[(iv) The initial Interest Period for each Eurocurrency Rate Advance made as part of the Proposed Revolving Credit Borrowing is \_\_\_\_\_ month[s].]

The undersigned hereby certifies that the following statements are true on the date hereof, and will be true on the date of the Proposed Revolving Credit Borrowing:

(A) the representations and warranties contained in Section 4.01 of the Credit Agreement (except the representations set forth in the last sentence of subsection (e) thereof and in subsection (f)(i) thereof) are correct, before and after giving effect to the Proposed Revolving Credit Borrowing and to the application of the proceeds therefrom, as though made on and as of such date;

(B) no event has occurred and is continuing, or would result from such Proposed Revolving Credit Borrowing or from the application of the proceeds therefrom, that constitutes a Default; and

(C) after giving effect to such Proposed Revolving Credit Borrowing, the aggregate amount of the Borrower's Debt (not including other transactions relating to Snap-on Credit LLC) from any bank or financial institution or under any commercial paper facility or debt securities or securitization program outstanding will not exceed \$550,000,000 or, if greater, the amount authorized by resolutions of the Board of Directors in effect on the date of such Proposed Revolving Credit Borrowing..

Very truly yours,

SNAP-ON INCORPORATED

By

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Title:

EXHIBIT B-2 - FORM OF NOTICE OF  
COMPETITIVE BID BORROWING

Citibank, N.A., as Agent  
for the Lenders parties  
to the Credit Agreement  
referred to below  
Two Penns Way  
New Castle, Delaware 19720

[Date]

Attention: Bank Loan Syndications Department

Ladies and Gentlemen:

The undersigned, SNAP-ON INCORPORATED, refers to the Amended and Restated 364-Day Credit Agreement, dated as of August 1, 2003 (as amended or modified from time to time, the "Credit Agreement", the terms defined therein being used herein as therein defined), among the undersigned, certain Lenders parties thereto, Citigroup Global Markets Inc., as Lead Arranger and Book Manager, Banc One Capital Markets Inc., as Co-Arranger, Bank One, NA, as Syndication Agent, and Citibank, N.A., as Agent for said Lenders, and hereby gives you notice, irrevocably, pursuant to Section 2.03 of the Credit Agreement that the undersigned hereby requests a Competitive Bid Borrowing under the Credit Agreement, and in that connection sets forth the terms on which such Competitive Bid Borrowing (the "Proposed Competitive Bid Borrowing") is requested to be made:

(A) Date of Competitive Bid Borrowing	_____
(B) Amount of Competitive Bid Borrowing	_____
(C) [Maturity Date] [Interest Period]	_____
(D) Interest Rate Basis	_____
(E) Day Count Convention	_____
(F) Interest Payment Date(s)	_____
(G) Currency	_____
(H) Borrower's Account Location	_____
[(I) Prepayments Permitted	_____]
(J) _____	_____

The undersigned hereby certifies that the following statements are true on the date hereof, and will be true on the date of the Proposed Competitive Bid Borrowing:

(a) the representations and warranties contained in Section 4.01 are correct, before and after giving effect to the Proposed Competitive Bid Borrowing and to the application of the proceeds therefrom, as though made on and as of such date;

(b) no event has occurred and is continuing, or would result from the Proposed Competitive Bid Borrowing or from the application of the proceeds therefrom, that constitutes a Default;

(c) no event has occurred and no circumstance exists as a result of which the information concerning the undersigned that has been provided to the Agent and each Lender by the undersigned in connection with the Credit Agreement would include an untrue statement of a material fact or omit to state any material fact or any fact necessary to make the statements contained therein, in the light of the circumstances under which they were made, not misleading;

(d) the aggregate amount of the Proposed Competitive Bid Borrowing, if accepted by the Borrower, and all other Borrowings to be made on the same day under the Credit Agreement is within the aggregate amount of the unused Commitments of the Lenders, and

(e) after giving effect to the Proposed Competitive Bid Borrowing, the aggregate amount of the Borrower's Debt (not including other transactions relating to Snap-on Credit LLC) from any bank or financial institution or under any commercial paper facility or debt securities or securitization program outstanding will not exceed \$550,000,000 or, if greater, the amount authorized by resolutions of the Board of Directors in effect on the date of the Proposed Competitive Bid Borrowing.

Very truly yours,

SNAP-ON INCORPORATED

By \_\_\_\_\_  
Title:

EXHIBIT C - FORM OF  
ASSIGNMENT AND ACCEPTANCE

Reference is made to the Amended and Restated 364-Day Credit Agreement dated as of August 1, 2003 (as amended or modified from time to time, the "Credit Agreement") among Snap-On Incorporated, a Delaware corporation (the "Borrower"), the Lenders (as defined in the Credit Agreement), Citigroup Global Markets Inc., as Lead Arranger and Book Manager, Banc One Capital Markets Inc., as Co-Arranger, Bank One, NA, as Syndication Agent, and Citibank, N.A., as agent for the Lenders (the "Agent"). Terms defined in the Credit Agreement are used herein with the same meaning.

The "Assignor" and the "Assignee" referred to on Schedule I hereto agree as follows:

1. The Assignor hereby sells and assigns to the Assignee, and the Assignee hereby purchases and assumes from the Assignor, an interest in and to the Assignor's rights and obligations under the Credit Agreement as of the date hereof (other than in respect of Competitive Bid Advances and Competitive Bid Notes) equal to the percentage interest specified on Schedule 1 hereto of all outstanding rights and obligations under the Credit Agreement (other than in respect of Competitive Bid Advances and Competitive Bid Notes). After giving effect to such sale and assignment, the Assignee's Commitment and the amount of the Revolving Credit Advances owing to the Assignee will be as set forth on Schedule 1 hereto.

2. The Assignor (i) represents and warrants that it is the legal and beneficial owner of the interest being assigned by it hereunder and that such interest is free and clear of any adverse claim; (ii) makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with the Credit Agreement or the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Credit Agreement or any other instrument or document furnished pursuant thereto; (iii) makes no representation or warranty and assumes no responsibility with respect to the financial condition of the Borrower or the performance or observance by the Borrower of any of its obligations under the Credit Agreement or any other instrument or document furnished pursuant thereto; and (iv) attaches the Revolving Credit Note, if any held by the Assignor.

3. The Assignee (i) confirms that it has received a copy of the Credit Agreement, together with copies of the financial statements referred to in Section 4.01 thereof and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and Acceptance; (ii) agrees that it will, independently and without reliance upon the Agent, the Assignor or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Credit Agreement; (iii) represents to the Assignor, the Agent and the Borrower that it is an Eligible Assignee; (iv) appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers and discretion under the Credit Agreement as are delegated to the Agent by the terms thereof, together with such powers and discretion as are reasonably incidental thereto; (v) agrees that it will perform in accordance with their terms all of the obligations that by the terms of the Credit Agreement are required to be performed by it as a Lender; and (vi) attaches any U.S. Internal Revenue Service forms required under Section 2.14 of the Credit Agreement.

4. Following the execution of this Assignment and Acceptance, it will be delivered to the Agent for acceptance and recording by the Agent. The effective date for this Assignment and Acceptance (the "Effective Date") shall be the date of acceptance hereof by the Agent, unless otherwise specified on Schedule 1 hereto.

5. Upon such acceptance and recording by the Agent, as of the Effective Date, (i) the Assignee shall be a party to the Credit Agreement and, to the extent provided in this Assignment and Acceptance, have the rights and obligations of a Lender thereunder and (ii) the Assignor shall, to the extent provided in this Assignment and Acceptance, relinquish its rights and be released from its obligations under the Credit Agreement.

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6. Upon such acceptance and recording by the Agent, from and after the Effective Date, the Agent shall make all payments under the Credit Agreement and the Revolving Credit Notes in respect of the interest assigned hereby (including, without limitation, all payments of principal, interest and facility fees with respect thereto) to the Assignee. The Assignor and Assignee shall make all appropriate adjustments in payments under the Credit Agreement and the Revolving Credit Notes for periods prior to the Effective Date directly between themselves.

7. This Assignment and Acceptance shall be governed by, and construed in accordance with, the laws of the State of New York.

8. This Assignment and Acceptance 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 taken together shall constitute one and the same agreement. Delivery of an executed counterpart of Schedule 1 to this Assignment and Acceptance by telecopier shall be effective as delivery of a manually executed counterpart of this Assignment and Acceptance.

IN WITNESS WHEREOF, the Assignor and the Assignee have caused Schedule 1 to this Assignment and Acceptance to be executed by their officers thereunto duly authorized as of the date specified thereon.

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Schedule 1  
to  
Assignment and Acceptance

Percentage interest assigned: \_\_\_\_\_ %  
Assignee's Commitment: \$ \_\_\_\_\_  
Aggregate outstanding principal amount of Revolving Credit Advances assigned: \$ \_\_\_\_\_  
Principal amount of Revolving Credit Note payable to Assignee: \$ \_\_\_\_\_  
Principal amount of Revolving Credit Note payable to Assignor: \$ \_\_\_\_\_  
Effective Date\*: \_\_\_\_\_, 200\_

[NAME OF ASSIGNOR], as Assignor

By \_\_\_\_\_  
Title:

Dated: \_\_\_\_\_, 200\_

[NAME OF ASSIGNEE], as Assignee

By \_\_\_\_\_  
Title:

Dated: \_\_\_\_\_, 200\_

Domestic Lending Office:  
[Address]

Eurocurrency Lending Office:  
[Address]

-----  
\* This date should be no earlier than five Business Days after the delivery  
of this Assignment and Acceptance to the Agent.

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Accepted [and Approved]\* this

\_\_\_\_\_ day of \_\_\_\_\_, 200\_

CITIBANK, N.A., as Agent

By \_\_\_\_\_  
Title:

[Approved this \_\_\_\_\_ day

of \_\_\_\_\_, 200\_

SNAP-ON INCORPORATED

By \_\_\_\_\_ ]\*\*  
Title:

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\* Required if the Assignee is an Eligible Assignee solely by reason of clause  
(iii) of the definition of "Eligible Assignee".

\*\* Required if the Assignee is an Eligible Assignee solely by reason of clause  
(iii) of the definition of "Eligible Assignee".

Exhibit (12)

SNAP-ON INCORPORATED  
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES  
(Amounts in millions)

	Three Months Ended		Nine Months Ended	
	Sept. 27, 2003	Sept. 28, 2002	Sept. 27, 2003	Sept. 28, 2002
Net Earnings	\$ 17.7	\$ 19.2	\$ 61.4	\$ 72.9
Add (Deduct):				
Income taxes	5.2	10.9	28.7	39.4
Minority interest in earnings of consolidated subsidiaries	.8	.9	1.9	2.0
Cumulative effect	-	-	-	(2.8)
Net Earnings as defined	23.7	31.0	92.0	111.5
Fixed Charges:				
Interest on debt	5.8	6.9	18.2	22.2
Interest element of rentals	1.3	1.3	3.9	3.9
Total Fixed Charges	7.1	8.2	22.1	26.1
Total Adjusted Earnings Available for Payment of Fixed Charges	\$ 30.8	\$ 39.2	\$ 114.1	\$ 137.6
Ratio of Earnings to Fixed Charges	4.3	4.8	5.2	5.3

For purpose of computing this ratio, "Net Earnings" consists of (a) income from continuing operations before income taxes and adjusted for minority interest, and (b) "Fixed Charges," which consists of interest on debt and the estimated interest portion of rents.

## CERTIFICATIONS

I, Dale F. Elliott, Chief Executive Officer of Snap-on Incorporated, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Snap-on Incorporated;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 29, 2003

/s/ Dale F. Elliott

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Dale F. Elliott  
Chief Executive Officer

## CERTIFICATIONS

I, Martin M. Ellen, Principal Financial Officer of Snap-on Incorporated, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Snap-on Incorporated;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 29, 2003

/s/ Martin M. Ellen

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Martin M. Ellen  
Principal Financial Officer

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Certification of Chief Executive Officer Pursuant to  
18 U.S.C. Section 1350,  
As Adopted Pursuant to  
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of Snap-on Incorporated (the "Company") on Form 10-Q for the period ending September 27, 2003, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Dale F. Elliott as Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, to the best of his knowledge, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Dale F. Elliot

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Dale F. Elliott  
Chief Executive Officer  
October 29, 2003

A signed original of this written statement required by Section 906 has been provided to Snap-on Incorporated and will be retained by Snap-on Incorporated and furnished to the Securities and Exchange Commission or its staff upon request.

Certification of Principal Financial Officer  
Pursuant to 18 U.S.C. Section 1350,  
As Adopted Pursuant to  
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of Snap-on Incorporated (the "Company") on Form 10-Q for the period ending September 27, 2003, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Martin M. Ellen as Principal Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, to the best of his knowledge, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Martin M. Ellen

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Martin M. Ellen  
Principal Financial Officer  
October 29, 2003

A signed original of this written statement required by Section 906 has been provided to Snap-on Incorporated and will be retained by Snap-on Incorporated and furnished to the Securities and Exchange Commission or its staff upon request.