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

FORM 10-Q

(Mark one)

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

For the quarterly period ended **July 3, 2010**

OR

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

For the transition period from to

Commission File Number 1-7724

Snap-on Incorporated

(Exact name of registrant as specified in its charter)

Delaware	**39-0622040**
(State of incorporation)	*(I.R.S. Employer Identification No.)*
2801 80th Street, Kenosha, Wisconsin	**53143**
(Address of principal executive offices)	*(Zip code)*

(262) 656-5200

(Registrant's telephone number, including area code)

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 ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ 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 July 23, 2010
Common Stock, $1.00 par value	58,094,741 shares

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PART 1. FINANCIAL INFORMATION

Item 1: Financial Statements

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

	Three Months Ended		Six Months Ended	
	July 3, 2010	July 4, 2009	July 3, 2010	July 4, 2009
Net sales	$ 647.6	$ 590.0	$ 1,269.2	$ 1,162.6
Cost of goods sold	(343.8)	(336.0)	(677.8)	(649.9)
Gross profit	303.8	254.0	591.4	512.7
Operating expenses	(224.8)	(200.3)	(440.7)	(404.7)
Operating earnings before financial services	79.0	53.7	150.7	108.0
Financial services revenue	13.9	25.6	23.6	45.6
Financial services expenses	(12.2)	(9.0)	(23.6)	(19.0)
Operating earnings from financial services	1.7	16.6	–	26.6
Operating earnings	80.7	70.3	150.7	134.6
Interest expense	(13.2)	(11.6)	(27.2)	(20.2)
Other income (expense) – net	(0.8)	1.1	(0.5)	0.8
Earnings before income taxes and equity earnings (loss)	66.7	59.8	123.0	115.2
Income tax expense	(20.3)	(17.6)	(39.3)	(35.9)
Earnings before equity earnings (loss)	46.4	42.2	83.7	79.3
Equity earnings (loss), net of tax	0.5	(0.2)	1.2	(0.1)
Net earnings	46.9	42.0	84.9	79.2
Net earnings attributable to noncontrolling interests	(1.6)	(4.6)	(2.8)	(7.0)
Net earnings attributable to Snap-on Incorporated	$ 45.3	$ 37.4	$ 82.1	$ 72.2
Net earnings per share attributable to Snap-on Incorporated:				
Basic	$ 0.78	$ 0.65	$ 1.42	$ 1.25
Diluted	0.78	0.65	1.41	1.25
Weighted-average shares outstanding:				
Basic	58.0	57.7	57.9	57.6
Effect of dilutive options	0.3	0.2	0.4	0.3
Diluted	58.3	57.9	58.3	57.9
Dividends declared per common share	$ 0.30	$ 0.30	$ 0.60	$ 0.60

See Notes to Condensed Consolidated Financial Statements

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

	July 3, 2010	January 2, 2010
Assets		
Current assets		
Cash and cash equivalents	$ 430.8	$ 699.4
Trade and other accounts receivable – net	407.5	414.4
Contract receivables – net	35.6	32.9
Finance receivables – net	169.1	122.3
Inventories – net	296.5	274.7
Deferred income tax assets	74.2	69.5
Prepaid expenses and other assets	72.4	62.9
Total current assets	1,486.1	1,676.1
Property and equipment		
Land	21.1	22.9
Buildings and improvements	254.6	250.1
Machinery, equipment and computer software	593.3	621.7
	869.0	894.7
Accumulated depreciation and amortization	(544.8)	(546.9)
Property and equipment – net	324.2	347.8
Deferred income tax assets	92.1	88.2
Long-term contract receivables – net	91.2	70.7
Long-term finance receivables – net	278.6	177.9
Goodwill	773.1	814.3
Other intangibles – net	195.0	206.2
Other assets	73.0	66.2
Total assets	$ 3,313.3	$ 3,447.4

See Notes to Condensed Consolidated Financial Statements

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

	July 3, 2010	January 2, 2010
Liabilities and shareholders' equity		
Current liabilities		
Notes payable and current maturities of long-term debt	$ 13.6	$ 164.7
Accounts payable	128.5	119.8
Accrued benefits	41.0	48.7
Accrued compensation	64.7	64.8
Franchisee deposits	35.4	40.5
Other accrued liabilities	363.2	301.4
Total current liabilities	646.4	739.9
Long-term debt	909.8	902.1
Deferred income tax liabilities	87.9	97.8
Retiree health care benefits	58.8	60.7
Pension liabilities	262.3	255.9
Other long-term liabilities	83.8	85.4
Total liabilities	2,049.0	2,141.8
Shareholders' equity		
Shareholders' equity attributable to Snap-on Incorporated		
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 67,283,366 and 67,265,454 shares)	67.3	67.3
Additional paid-in capital	163.6	154.4
Retained earnings	1,576.0	1,528.9
Accumulated other comprehensive loss	(170.5)	(68.4)
Treasury stock at cost (9,192,525 and 9,520,405 shares)	(387.7)	(392.2)
Total shareholders' equity attributable to Snap-on Incorporated	1,248.7	1,290.0
Noncontrolling interests	15.6	15.6
Total shareholders' equity	1,264.3	1,305.6
Total liabilities and shareholders' equity	$ 3,313.3	$ 3,447.4

See Notes to Condensed Consolidated Financial Statements

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SNAP-ON INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(Amounts in millions, except per share data)
(Unaudited)

The following summarizes the changes in total shareholders' equity for the six month period ending July 3, 2010:

	Shareholders' equity attributable to Snap-on Incorporated						
(Amounts in millions, except per share data)	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Noncontrolling Interests	Total Shareholders' Equity
Balance at January 2, 2010	$ 67.3	$ 154.4	$ 1,528.9	$ (68.4)	$ (392.2)	$ 15.6	$ 1,305.6
Net earnings for the six months ended July 3, 2010 (excludes $0.3 million of net loss attributable to a redeemable noncontrolling interest)	–	–	82.1	–	–	3.1	85.2
Foreign currency translation	–	–	–	(102.1)	–	–	(102.1)
Cash dividends – $0.60 per share	–	–	(35.0)	–	–	–	(35.0)
Dividend reinvestment plan and other	–	0.7	–	–	–	(3.1)	(2.4)
Stock compensation plans	–	13.6	–	–	4.5	–	18.1
Tax benefit from certain stock options	–	0.6	–	–	–	–	0.6
Acquisition of noncontrolling interest	–	(5.7)	–	–	–	–	(5.7)
Balance at July 3, 2010	$ 67.3	$ 163.6	$ 1,576.0	$ (170.5)	$ (387.7)	$ 15.6	$ 1,264.3

The following summarizes the changes in total shareholders' equity for the six month period ending July 4, 2009:

	Shareholders' equity attributable to Snap-on Incorporated						
(Amounts in millions, except per share data)	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Noncontrolling Interests	Total Shareholders' Equity
Balance at January 3, 2009	$ 67.2	$ 155.5	$ 1,463.7	$ (106.5)	$ (393.4)	$ 18.0	$ 1,204.5
Net earnings for the six months ended July 4, 2009 (excludes $0.5 million of net loss attributable to a redeemable noncontrolling interest)	–	–	72.2	–	–	7.5	79.7
Foreign currency translation	–	–	–	35.7	–	–	35.7
Change in cash flow hedges	–	–	–	2.1	–	1.1	3.2
Cash dividends – $0.60 per share	–	–	(34.4)	–	–	–	(34.4)
Dividend reinvestment plan and other	–	0.7	–	–	–	(2.8)	(2.1)
Stock compensation plans	–	(0.5)	–	–	0.8	–	0.3
Tax deficiency from certain stock options	–	(0.7)	–	–	–	–	(0.7)
Balance at July 4, 2009	$ 67.2	$ 155.0	$ 1,501.5	$ (68.7)	$ (392.6)	$ 23.8	$ 1,286.2

See Notes to Condensed Consolidated Financial Statements

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SNAP-ON INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in millions)
(Unaudited)

	Three Months Ended		Six Months Ended	
(Amounts in millions)	July 3, 2010	July 4, 2009	July 3, 2010	July 4, 2009
Comprehensive income (loss)				
Net earnings	$ 46.9	$ 42.0	$ 84.9	$ 79.2
Other comprehensive income (loss):				
Foreign currency translation	(59.8)	88.8	(102.1)	35.7
Change in fair value of cash flow hedges, net of tax	–	0.9	–	3.2
Total comprehensive income (loss)	$ (12.9)	$ 131.7	$ (17.2)	$ 118.1
Comprehensive income attributable to non-redeemable noncontrolling interest	(1.6)	(5.2)	(3.1)	(8.6)
Comprehensive loss attributable to redeemable noncontrolling interest	–	0.2	0.3	0.5
Comprehensive income (loss) attributable to Snap-on Incorporated	$ (14.5)	$ 126.7	$ (20.0)	$ 110.0

See Notes to Condensed Consolidated Financial Statements

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

	Six Months Ended	
	July 3, 2010	July 4, 2009
Operating activities:		
Net earnings	$ 84.9	$ 79.2
Adjustments to reconcile net earnings to net cash provided (used) by operating activities:		
Depreciation	24.7	24.8
Amortization of other intangibles	11.8	12.3
Provision for losses on finance receivables	8.0	–
Stock-based compensation expense (income)	6.0	(4.2)
Excess tax benefits from stock-based compensation	(0.2)	–
Deferred income tax provision (benefit)	(17.0)	18.2
Loss on sale of assets	–	0.4
Changes in operating assets and liabilities, net of effects of acquisition:		
(Increase) decrease in trade and other accounts receivable	(11.7)	56.5
(Increase) decrease in contract receivables	(24.8)	2.1
(Increase) decrease in inventories	(36.2)	62.5
(Increase) decrease in prepaid and other assets	(23.1)	0.7
Increase (decrease) in accounts payable	14.2	(19.0)
Increase (decrease) in accruals and other liabilities	29.3	(63.2)
Net cash provided by operating activities	65.9	170.3
Investing activities:		
Additions to finance receivables	(246.3)	–
Collections of finance receivables	108.3	–
Capital expenditures	(12.3)	(33.6)
Acquisition of business	(7.7)	–
Disposal of property and equipment	1.8	0.1
Other	–	3.2
Net cash used by investing activities	(156.2)	(30.3)
Financing activities:		
Proceeds from issuance of long-term debt	–	297.7
Repayment of long-term debt	(150.0)	–
Proceeds from short-term borrowings	10.2	–
Repayments of short-term borrowings	(11.7)	–
Net increase in other short-term borrowings	0.5	4.2
Proceeds from stock purchase and option plans	13.0	3.4
Cash dividends paid	(35.0)	(34.4)
Excess tax benefits from stock-based compensation	0.2	–
Other	(3.9)	(3.4)
Net cash provided (used) by financing activities	(176.7)	267.5
Effect of exchange rate changes on cash and cash equivalents	(1.6)	1.1
Increase (decrease) in cash and cash equivalents	(268.6)	408.6
Cash and cash equivalents at beginning of year	699.4	115.8
Cash and cash equivalents at end of period	$ 430.8	$ 524.4
Supplemental cash flow disclosures:		
Cash paid for interest	$ (28.7)	$ (13.9)
Net cash paid for income taxes	(52.7)	(23.4)

See Notes to Condensed Consolidated Financial Statements

SNAP-ON INCORPORATED
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1: Summary of Accounting Policies

These financial statements should be read in conjunction with, and have been prepared in conformity with, the accounting principles reflected in the consolidated financial statements and related notes included in Snap-on Incorporated's ("Snap-on" or "the company") 2009 Annual Report on Form 10-K for the fiscal year ended January 2, 2010. The company's 2010 fiscal second quarter ended on July 3, 2010; the 2009 fiscal second quarter ended on July 4, 2009.

The Condensed Consolidated Financial Statements include the accounts of Snap-on and its wholly-owned and majority-owned subsidiaries, including the accounts of Snap-on Credit LLC ("SOC"), the company's financial services operation in the United States. Prior to July 16, 2009, SOC was a consolidated financial services joint venture with CIT Group Inc. ("CIT"), and Snap-on was the primary beneficiary of the joint venture arrangement. On July 16, 2009, pursuant to the terms of the joint venture agreement, Snap-on terminated the joint venture agreement with CIT and subsequently purchased CIT's 50%-ownership interest in SOC for $8.1 million.

Snap-on accounts for investments in unconsolidated affiliates where Snap-on has a greater than 20% but less than 50% ownership interest under the equity method of accounting. Investments in unconsolidated affiliates of $35.5 million at July 3, 2010, and $37.7 million at 2009 year end are included in "Other assets" on the accompanying Condensed Consolidated Balance Sheets. Equity investment dividends received during the first quarter of 2010 totaled $2.0 million; no equity investment dividends were received in the 2010 second quarter or in the 2009 full year. The Condensed Consolidated Financial Statements do not include the accounts of the company's independent franchisees. Snap-on's Condensed Consolidated Financial Statements are prepared in conformity with generally accepted accounting principles in the United States of America ("U.S. GAAP"). All significant intercompany accounts and transactions have been eliminated.

In the second quarter of 2010, Snap-on realigned its management organization and, as a result, its reportable business segments. This organizational change reflects the company's efforts to better support the product and service needs of the company's primary customer segments. The accompanying segment data has been restated to reflect these realignments. Refer to Note 16 for information on Snap-on's reportable business segments.

Certain prior year amounts were reclassified on the Condensed Consolidated Financial Statements related to the company's Financial Services' operations. Following the July 16, 2009 acquisition of CIT's 50%-ownership interest in SOC, Snap-on began providing financing for the majority of new loans originated by SOC; previously, substantially all of the loans originated by SOC were sold to CIT. Depending on the type of loan, the new contracts originated by SOC, as well as the contracts originated by Snap-on's wholly owned international finance subsidiaries, are reflected as either contract or finance receivables on the Condensed Consolidated Balance Sheets. "Trade and other accounts receivable – net," and the current and long-term portions of net contract and finance receivables are also disclosed on the Condensed Consolidated Balance Sheets. For periods ending prior to July 16, 2009, all current (payment terms of one year or less) accounts receivable were included in "Accounts receivable – net" and long-term (payment terms greater than one year) accounts receivable were included in "Other assets."

The Condensed Consolidated Statements of Cash Flow reflect the "Provision for losses on finance receivables" originated by (i) SOC after July 16, 2009, and (ii) Snap-on's wholly owned international finance subsidiaries, as part of "Net cash provided by operating activities." Subsequent to the company's acquisition of CIT's ownership interest in SOC, "Additions to finance receivables" and "Collections of finance receivables" are presented as part of "Net cash used by investing activities." For financial statement periods ending prior to July 16, 2009, the provision for losses on finance receivables and the net additions and collections of finance receivables, which primarily related to the company's wholly owned international finance subsidiaries, are included in "(Increase) decrease in contract receivables" as part of "Net cash provided by operating activities;" prior-year amounts were not restated as the amounts were not significant, individually or in the aggregate, to Snap-on's Condensed Consolidated Statements of Cash Flow. See Note 3 for further information on accounts receivable.

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

As of July 3, 2010, and January 2, 2010, "Other accrued liabilities" on the accompanying Condensed Consolidated Balance Sheets included $107.8 million and $81.5 million, respectively, of amounts withheld from payments made to the company's former financial services joint venture partner, CIT, relating to ongoing business activities. The amount withheld relates to a dispute between the parties concerning various payments made during the course of the joint venture. The $26.3 million increase in other accrued liabilities relating to CIT from year-end 2009 levels included $20.6 million associated with refinancings that are not included in net cash provided by operating activities. See Note 14 for further information.

In the opinion of management, all adjustments (consisting of normal recurring adjustments) necessary for the fair presentation of the Condensed Consolidated Financial Statements for the three and six month periods ended July 3, 2010, and July 4, 2009, have been made. Interim results of operations are not necessarily indicative of the results to be expected for the full fiscal year.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Financial Instruments

The fair value of the company's derivative financial instruments is generally determined using quoted prices in active markets for similar assets and liabilities. The carrying value of the company's non-derivative financial instruments either approximates fair value, due to their short-term nature, or fair value is based upon a discounted cash flow analysis or quoted market values. See Note 9 for further information on financial instruments.

New Accounting Standards

Fair Value Measurements and Disclosures

In January 2010, previously released guidance on fair value measurements and disclosures was amended. The amendment requires disclosure of transfers into and out of Level 1 and Level 2 fair value measurements, and also requires more detailed disclosure about the activity within Level 3 fair value measurements. The fair value measurements hierarchy gives the highest priority ("Level 1") to unadjusted quoted prices in active markets for identical assets and liabilities and the lowest priority ("Level 3") to unobservable inputs. Fair value measurements primarily based on observable market information are given a "Level 2" priority. A portion of the amendment was effective for Snap-on at the beginning of its 2010 fiscal first quarter and requires the disclosure of transfers into and out of Level 1 and Level 2 fair value measurements; the amendment's requirements related to Level 3 disclosures are effective for Snap-on at the beginning of its 2011 fiscal year. This guidance affects new disclosures only and had no impact on the company's Condensed Consolidated Financial Statements.

Revenue Arrangements with Multiple Deliverables

In October 2009, previously released guidance on revenue arrangements with multiple deliverables was amended; this guidance becomes effective for Snap-on at the beginning of its 2011 fiscal year. The amendment addresses how to determine whether an

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

arrangement involving multiple deliverables contains more than one unit of accounting and how the arrangement consideration should be allocated among the separate units of accounting. The amendment may be applied retrospectively or prospectively for new or materially modified arrangements and early adoption is permitted. The company is currently assessing the impact of adopting this guidance and does not believe that the adoption will have a significant impact on the company's Condensed Consolidated Financial Statements.

Certain Revenue Arrangements that Include Software Elements

In October 2009, previously released guidance on certain revenue arrangements that include software elements was amended; this guidance becomes effective for Snap-on at the beginning of its 2011 fiscal year. The amendment removes tangible products from the scope of the software revenue guidance if the products contain both software and non-software components that function together to deliver a product's essential functionality and provides guidance on determining whether software deliverables in an arrangement that includes a tangible product are within the scope of the software revenue guidance. The amendment may be applied retrospectively or prospectively for new or materially modified arrangements and early adoption is permitted. The company is currently assessing the impact of adopting this guidance and does not believe that the adoption will have a significant impact on the company's Condensed Consolidated Financial Statements.

Note 2: Acquisitions

On April 6, 2010, Snap-on acquired the remaining 40% interest in Wanda Snap-on (Zhejiang) Co. Ltd ("Wanda Snap-on"), the company's tool manufacturing operation in Xiaoshan, China, for a purchase price of $7.7 million and $0.1 million of transaction costs. Snap-on acquired a 60% interest in Wanda Snap-on for a cash purchase price of $15.4 million (or $14.1 million, net of cash acquired), including $1.2 million of transaction costs, on March 5, 2008. The acquisition of Wanda Snap-on is part of the company's ongoing strategic initiatives to further expand its manufacturing presence in emerging growth markets and lower-cost regions. On July 1, 2010, Wanda Snap-on was officially renamed Snap-on Asia Manufacturing (Zhejiang) Co. Ltd. ("Xiaoshan").

The following summarizes the changes in the Wanda Snap-on redeemable noncontrolling interest for the six month periods ended July 3, 2010, and July 4, 2009:

	Six Months Ended	
(Amounts in millions)	July 3, 2010	July 4, 2009
Beginning of year	$ 3.3	$ 4.3
Net loss	(0.3)	(0.5)
Acquisition of noncontrolling interest	(3.0)	–
End of period	$ –	$ 3.8

For segment reporting purposes, the results of operations and assets of Xiaoshan (formerly Wanda Snap-on) are included in the Commercial & Industrial Group. Pro forma financial information has not been presented as the net sales and operating earnings impact of the Xiaoshan acquisition were not material to Snap-on's results of operations or financial position.

On July 16, 2009, Snap-on terminated its SOC financial services joint venture agreement with CIT and subsequently acquired CIT's 50%-ownership interest in SOC for a cash purchase price of $8.1 million. As a result of acquiring CIT's ownership interest, SOC became a wholly owned subsidiary of Snap-on. The $8.1 million purchase price represented the book value, and approximated the fair value, of CIT's ownership interest in SOC as of the acquisition date; no goodwill or intangible assets were recorded as a result of this acquisition.

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

Since 2004, Snap-on has included the accounts of SOC in its consolidated financial statements as Snap-on concluded that it was the primary beneficiary of the joint venture arrangement. For segment reporting purposes, the results of operations and assets of SOC will continue to be included in Financial Services.

Note 3: Accounts Receivable

Snap-on's accounts receivable consist of (i) trade and other accounts receivable; (ii) contract receivables; and (iii) finance receivables. Trade and other accounts receivable primarily arise from the sale of tools, diagnostics and equipment to a broad range of industrial and commercial customers and to Snap-on's independent franchise van channel on a non-extended-term basis with payment terms generally ranging from 30 days to 120 days. Contract receivables, with payment terms of up to 10 years, are comprised of extended-term installment loans to a broad base of industrial and other customers worldwide, including shop owners, both independents and national chains, for their purchase of tools, diagnostics and equipment. Contract receivables also include extended-term installment loans to franchisees to meet a number of financing needs including van and truck leases, working capital loans, and loans to enable new franchisees to fund the purchase of the franchise. Finance receivables are comprised of extended-term installment loans to technicians (i.e. franchisees' customers) to enable them to purchase tools, diagnostics and equipment on an extended-term payment plan, generally with average payment terms of 32 months. Contract and finance receivables are generally secured by the underlying tools, diagnostics or equipment financed and, for installment loans to franchisees, other franchisee assets.

The components of Snap-on's current accounts receivable as of July 3, 2010, and January 2, 2010, are as follows:

(Amounts in millions)	July 3, 2010	January 2, 2010
Trade and other accounts receivable	$ 434.0	$ 440.8
Contract receivables, net of unearned finance charges of $5.0 million and $4.0 million	38.2	34.5
Finance receivables, net of unearned finance charges of $6.4 million and $6.8 million	175.1	126.2
Total	647.3	601.5
Allowances for doubtful accounts:		
Trade and other accounts receivable	(26.5)	(26.4)
Contract receivables	(2.6)	(1.6)
Finance receivables	(6.0)	(3.9)
Total	(35.1)	(31.9)
Total current accounts receivable – net	$ 612.2	$ 569.6
Trade and other accounts receivable – net	$ 407.5	$ 414.4
Contract receivables – net	35.6	32.9
Finance receivables – net	169.1	122.3
Total current accounts receivable – net	$ 612.2	$ 569.6

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

The components of Snap-on's contract and finance receivables with payment terms beyond one year as of July 3, 2010, and January 2, 2010, are as follows:

(Amounts in millions)	July 3, 2010	January 2, 2010
Contract receivables, net of unearned finance charges of $6.7 million and $5.9 million	$ 93.8	$ 73.2
Finance receivables, net of unearned finance charges of $7.9 million and $8.0 million	290.2	184.1
Total	384.0	257.3
Allowances for doubtful accounts:		
Contract receivables	(2.6)	(2.5)
Finance receivables	(11.6)	(6.2)
Total	(14.2)	(8.7)
Total long-term accounts receivable – net	$ 369.8	$ 248.6
Contract receivables – net	$ 91.2	$ 70.7
Finance receivables – net	278.6	177.9
Total long-term accounts receivable – net	$ 369.8	$ 248.6

SOC originates contract and finance receivables on sales of Snap-on product sold through the U.S. franchisee and customer network and to Snap-on's industrial and other customers; Snap-on's foreign finance subsidiaries provide similar financing internationally. Interest income on contract and finance receivables is recognized using the effective interest method and is included in "Financial services revenue" on the accompanying Condensed Consolidated Statements of Earnings. The recognition of finance income is generally suspended and the estimated uncollectible receivable amount written off to the allowance for doubtful accounts when the contract or finance receivable becomes approximately 90 days or 150 days delinquent, depending on the type of loan. The accrual of finance income is resumed when the receivable becomes contractually current and collection doubts are removed. Financing receivables on non-accrual status at July 3, 2010, and January 2, 2010, were insignificant.

Prior to July 16, 2009, SOC sold substantially all new contract and finance loan originations to CIT on a limited recourse basis; SOC retained the right to service such loans for a contractual servicing fee. As of July 3, 2010, the remaining portfolio of receivables owned by CIT that is being serviced by SOC was approximately $384 million, down from approximately $590 million at 2009 year end and $830 million at July 16, 2009. As loan originations were sold to CIT, SOC recognized a servicing asset since the contractual servicing fee provided SOC with more than adequate compensation for the level of services provided. Contractual servicing fees were $1.3 million and $2.9 million for the three and six month periods ended July 3, 2010, respectively, and $2.2 million and $4.5 million for the three and six month periods ended July 4, 2009, respectively.

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Servicing assets are included in "Prepaid expenses and other assets" in the accompanying Condensed Consolidated Balance Sheets. The remaining servicing assets of $1.1 million as of July 3, 2010, are being amortized over the remaining life of the contracts. The following summarizes the servicing assets activity for the three and six month periods ended July 3, 2010, and July 4, 2009:

	Three Months Ended		Six Months Ended	
(Amounts in millions)	July 3, 2010	July 4, 2009	July 3, 2010	July 4, 2009
Servicing assets at beginning of period	$ 1.3	$ 3.1	$ 1.5	$ 3.9
Originated	–	1.2	–	2.2
Amortized	(0.2)	(1.9)	(0.4)	(3.7)
Servicing assets at end of period	$ 1.1	$ 2.4	$ 1.1	$ 2.4

Note 4: Inventories

Inventories by major classification are as follows:

(Amounts in millions)	July 3, 2010	January 2, 2010
Finished goods	$ 278.8	$ 254.3
Work in progress	25.5	28.3
Raw materials	60.6	60.5
Total FIFO value	364.9	343.1
Excess of current cost over LIFO cost	(68.4)	(68.4)
Total inventories – net	$ 296.5	$ 274.7

Inventories accounted for using the first-in, first-out ("FIFO") method as of July 3, 2010, and January 2, 2010, approximated 63% and 66% of total inventories, respectively. The company accounts for its non-U.S. inventory on the FIFO basis. As of July 3, 2010, approximately 27% of the company's U.S. inventory was accounted for using the FIFO basis and 73% was accounted for using the last-in, first-out ("LIFO") basis. There were no LIFO inventory liquidations in the three and six month periods ended July 3, 2010, and July 4, 2009.

Note 5: Intangible and Other Assets

The changes in the carrying amount of goodwill by segment for the six month period ended July 3, 2010, were as follows:

(Amounts in millions)	Commercial & Industrial Group	Snap-on Tools Group	Repair Systems & Information Group	Total
Balance as of January 2, 2010	$ 311.8	$ 12.5	$ 490.0	$ 814.3
Currency translation	(35.1)	–	(6.1)	(41.2)
Balance as of July 3, 2010	$ 276.7	$ 12.5	$ 483.9	$ 773.1

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
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Additional disclosures related to other intangible assets are as follows:

	July 3, 2010		January 2, 2010	
(Amounts in millions)	Gross Carrying Value	Accumulated Amortization	Gross Carrying Value	Accumulated Amortization
Amortized other intangible assets:				
Customer relationships	$ 133.7	$ (32.3)	$ 135.1	$ (28.3)
Developed technology	18.9	(13.6)	19.4	(13.1)
Internally developed software	58.7	(34.6)	54.4	(30.5)
Patents	30.7	(18.9)	30.8	(18.4)
Trademarks	1.9	(0.5)	1.9	(0.5)
Other	8.4	(1.8)	11.4	(2.0)
Total	252.3	(101.7)	253.0	(92.8)
Non-amortized trademarks	44.4	–	46.0	–
Total other intangible assets	$ 296.7	$ (101.7)	$ 299.0	$ (92.8)

Snap-on completed its annual impairment testing of goodwill and other indefinite-lived intangible assets in the second quarter of 2010, the results of which did not result in any impairment. Significant and unanticipated changes in circumstances, such as significant adverse changes in business climate, loss of key customers and/or changes in technology or markets, could require a provision for impairment in a future period.

The weighted-average amortization periods related to other intangible assets are as follows:

(In years)	Weighted-average Amortization
Customer relationships	16
Developed technology	5
Internally developed software	3
Patents	12
Trademarks	30
Other	46

Snap-on is amortizing its customer relationships on an accelerated basis over a 16 year weighted-average life; the remaining intangibles are amortized on a straight-line basis. The weighted-average amortization period for all amortizable intangibles on a combined basis is 15 years.

The company's customer relationships generally have contractual terms of three to five years and are typically renewed without significant cost to the company. The weighted-average 16 year life for customer relationships is based on the company's historical renewal experience. Intangible asset renewal costs are expensed as incurred.

The aggregate amortization expense was $5.9 million and $11.8 million for the three and six month periods ended July 3, 2010, respectively, and $6.2 million and $12.3 million for the three and six month periods ended July 4, 2009, respectively. Based on current levels of amortizable intangible assets and estimated weighted-average useful lives, estimated annual amortization expense is expected to be $23.0 million in 2010, $19.9 million in 2011, $16.3 million in 2012, $11.1 million in 2013, $9.8 million in 2014 and $9.4 million in 2015.

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The company has various insurance policies on the lives of certain former executive officers. Snap-on's investment in these policies is recorded net of policy loans in "Other assets" on the accompanying Condensed Consolidated Balance Sheets. The policy loans carry a variable interest rate (currently at 5.49%), require interest only payments annually, and are collateralized by the cash value of the life insurance policies. The interest rate charged on the policy loans may be adjusted annually based on a corporate bond yield as published by Moody's Investors Service. A summary of the net cash value of life insurance as of July 3, 2010, and January 2, 2010, is as follows:

(Amounts in millions)	July 3, 2010	January 2, 2010
Cash surrender value of life insurance	$ 9.4	$ 9.4
Policy loans outstanding	(9.1)	(9.1)
Net cash value of life insurance	$ 0.3	$ 0.3

Note 6: Exit and Disposal Activities

Snap-on recorded costs associated with exit and disposal activities for the three and six month periods ended July 3, 2010, and July 4, 2009, as follows:

	Three Months Ended		Six Months Ended	
(Amounts in millions)	July 3, 2010	July 4, 2009	July 3, 2010	July 4, 2009
Exit and disposal costs:				
Cost of goods sold				
Commercial & Industrial Group	$ 2.0	$ 3.8	$ 3.3	$ 4.4
Snap-on Tools Group	–	0.2	–	0.2
Repair Systems & Information Group	0.5	1.6	1.5	2.1
Total cost of goods sold	2.5	5.6	4.8	6.7
Operating expenses				
Commercial & Industrial Group	–	1.4	0.3	2.4
Snap-on Tools Group	0.5	0.9	0.6	0.8
Repair Systems & Information Group	0.1	0.8	0.6	0.2
Corporate	–	–	–	0.3
Total operating expenses	0.6	3.1	1.5	3.7
Financial Services	–	(0.1)	–	0.2
Total restructuring expense				
Commercial & Industrial Group	2.0	5.2	3.6	6.8
Snap-on Tools Group	0.5	1.1	0.6	1.0
Repair Systems & Information Group	0.6	2.4	2.1	2.3
Financial Services	–	(0.1)	–	0.2
Corporate	–	–	–	0.3
Total restructuring expenses	$ 3.1	$ 8.6	$ 6.3	$ 10.6

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
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Of the $3.1 million and $6.3 million of costs incurred during the three and six month periods ended July 3, 2010, respectively, $2.4 million and $5.4 million, respectively, qualified for accrual treatment. Costs associated with exit and disposal activities in 2010 primarily related to headcount reductions from (i) the ongoing evaluation of the company's cost structure; (ii) ongoing efforts to enhance efficiency and productivity; and (iii) various other management and realignment actions.

Snap-on's exit and disposal accrual activity for the first and second quarters of 2010 was as follows:

(Amounts in millions)	Balance at January 2, 2010	First Quarter Additions	First Quarter Usage	Balance at April 3, 2010	Second Quarter Additions	Second Quarter Usage	Balance at July 3, 2010
Severance costs:							
Commercial & Industrial Group	$ 4.8	$ 1.5	$ (2.1)	$ 4.2	$ 1.6	$ (0.8)	$ 5.0
Snap-on Tools Group	1.7	–	(0.5)	1.2	–	(0.3)	0.9
Repair Systems & Information Group	5.8	1.4	(1.7)	5.5	0.3	(1.8)	4.0
Facility-related costs:							
Commercial & Industrial Group	0.7	–	–	0.7	–	(0.1)	0.6
Snap-on Tools Group	0.4	0.1	(0.1)	0.4	0.5	(0.1)	0.8
Total	$ 13.4	$ 3.0	$ (4.4)	$ 12.0	$ 2.4	$ (3.1)	$ 11.3

Since year-end 2009, Snap-on has reduced headcount by approximately 105 employees as part of its restructuring actions. While the majority of the exit and disposal accrual will be utilized in 2010, approximately $0.6 million of facility-related costs will extend beyond 2010 due to a longer-term lease obligation.

Snap-on expects to fund the remaining cash requirements of its exit and disposal activities with available cash on hand, cash flows from operations and borrowings under the company's existing credit facilities. The estimated costs for the exit and disposal activities were based on management's best business judgment under prevailing circumstances.

Note 7: Income Taxes

Snap-on's effective income tax rate on earnings attributable to Snap-on was 32.7% in the first six months of 2010 and 33.2% in the first six months of 2009.

For the six months ended July 3, 2010, Snap-on's unrecognized tax benefits decreased by $3.3 million. This decrease was primarily attributable to settlements reached with taxing authorities.

Snap-on and its subsidiaries file income tax returns in the United States and in various state, local and foreign jurisdictions. Snap-on and its subsidiaries are routinely examined by tax authorities in certain of these jurisdictions and it is reasonably possible that some of these examinations may be resolved within the next 12 months. Due to the potential resolution of these global examinations, it is reasonably possible that Snap-on's gross unrecognized tax benefits may decrease by a range of zero to $2.9 million over the next 12 months.

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Note 8: Short-term and Long-term Debt

Short-term and long-term debt as of July 3, 2010, and January 2, 2010, consisted of the following:

(Amounts in millions)	July 3, 2010	January 2, 2010
Floating rate unsecured note due January 2010	$ –	$ 150.0
6.25% unsecured notes due August 2011	200.0	200.0
5.85% unsecured notes due 2014	100.0	100.0
5.50% unsecured notes due 2017	150.0	150.0
6.70% unsecured notes due 2019	200.0	200.0
6.125% unsecured notes due 2021	250.0	250.0
Other debt*	23.4	16.8
	923.4	1,066.8
Less: notes payable and current maturities of long-term debt	(13.6)	(164.7)
Total long-term debt	$ 909.8	$ 902.1

* Includes fair value adjustments related to interest rate swaps

On January 12, 2010, Snap-on repaid the $150.0 million floating rate unsecured debt with available cash.

Snap-on has a five-year, $500 million multi-currency revolving credit facility that terminates on August 10, 2012; at July 3, 2010, no amounts were outstanding under this revolving credit facility. The $500 million revolving credit facility's financial covenant requires that Snap-on maintain, as of each fiscal quarter end, either (i) a ratio of total debt to the sum of total debt plus shareholders' equity of not greater than 0.60 to 1.00; or (ii) a ratio of total debt to the sum of net income plus interest expense, income taxes, depreciation, amortization and other non-cash or extraordinary charges for the preceding four fiscal quarters then ended of not greater than 3.50 to 1.00. As of July 3, 2010, the company's actual ratios of 0.43 and 2.66, respectively, were both within the permitted ranges set forth in this financial covenant.

Snap-on also had $20 million of unused available debt capacity under its committed bank lines of credit as of July 3, 2010, which consisted of two $10 million lines of credit that expire on August 29, 2010, and July 26, 2011, respectively. As of the filing date of this Form 10-Q, Snap-on plans to renew the August 29, 2010 bank line of credit in the third quarter of 2010.

In addition to the financial covenant required by the $500 million multi-currency revolving credit facility discussed above, Snap-on's debt agreements and credit facilities also contain certain usual and customary borrowing, affirmative, negative and maintenance covenants. As of July 3, 2010, Snap-on was in compliance with all covenants of its debt agreements and credit facilities.

Note 9: Financial Instruments

Derivatives: All derivative instruments are reported in the Condensed Consolidated Financial Statements at fair value. Changes in the fair value of derivatives are recorded each period in earnings or on the accompanying Condensed Consolidated Balance Sheets, depending on whether the derivative is designated and effective as part of a hedged transaction. Gains or losses on derivative instruments recorded in "Accumulated other comprehensive income (loss)" ("Accumulated OCI") must be reclassified to 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 period that such portion is determined to be ineffective.

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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 hedged item. 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. Snap-on does not use derivative instruments for speculative or trading purposes.

The company is exposed to global market risks, including the effect of changes in foreign currency exchange rates and interest rates, and therefore uses derivatives to manage financial exposures that occur in the normal course of business. The primary risks managed by using derivative instruments are foreign currency risk and interest rate risk.

Foreign Currency Risk Management: Snap-on has significant international operations and is subject to certain risks inherent with foreign operations that include currency fluctuations and restrictions on the movement of funds. Foreign currency exchange risk exists to the extent that Snap-on has payment obligations or receipts denominated in currencies other than the functional currency, including intercompany loans denominated in foreign currencies. To manage these exposures, Snap-on identifies naturally offsetting positions and then purchases hedging instruments to protect the residual net exposures. Snap-on manages most of these exposures on a consolidated basis, which allows for netting of certain exposures to take advantage of natural offsets. Foreign exchange forward 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. Snap-on's foreign exchange forward contracts are typically not designated as hedges. 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 Condensed Consolidated Statements of Earnings.

At July 3, 2010, Snap-on had $192.7 million of net foreign exchange forward buy contracts outstanding comprised of buy contracts of $104.6 million in euros, $70.1 million in Swedish kronor, $27.7 million in Australian dollars, $21.3 million in British pounds, $14.1 million in Singapore dollars, $5.3 million in Norwegian kroner, $3.0 million in Mexican pesos, $1.7 million in South Korean won, and $1.5 million in other currencies, and sell contracts comprised of $38.5 million in Canadian dollars, $10.9 million in Japanese yen, $3.5 million in Turkish lira, $1.8 million in New Zealand dollars, and $1.9 million in other currencies. At January 2, 2010, Snap-on had $197.8 million of net foreign exchange forward buy contracts outstanding comprised of buy contracts of $104.4 million in euros, $69.1 million in Swedish kronor, $30.4 million in Australian dollars, $25.1 million in British pounds, $12.3 million in Singapore dollars, $5.0 million in Norwegian kroner, $2.5 million in Mexican pesos, and $3.2 million in other currencies, and sell contracts comprised of $39.5 million in Canadian dollars, $7.7 million in Japanese yen, $3.3 million in Turkish lira, and $3.7 million in other currencies.

Interest Rate Risk Management: Snap-on aims to control funding costs by managing the exposure created by the differing maturities and interest rate structures of Snap-on's assets and liabilities through the use of interest rate swaps agreements.

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 swap agreements are 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" on the accompanying Condensed Consolidated Balance Sheets, while any ineffective portion is recorded as an adjustment to "Interest expense" on the accompanying Condensed Consolidated Statements of Earnings. The notional amount of interest rate swaps outstanding and designated as fair value hedges was $150 million at July 3, 2010, and $50 million at January 2, 2010. No interest rate swaps classified as cash flow hedges were outstanding as of July 3, 2010, and January 2, 2010.

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Treasury Lock Agreements: Snap-on has previously entered into treasury lock agreements to manage the potential change in interest rates in anticipation of issuing fixed rate debt. Prior to the company's termination of its financial services joint venture agreement with CIT in 2009, Snap-on also entered into treasury lock agreements to manage the risk associated with changing benchmark interest rates on its extended contract installment loans that were sold to CIT. Treasury lock agreements are accounted for as cash flow hedges. The effective differentials paid or received on treasury lock agreements related to credit installment loans are recognized as adjustments to "Financial services revenue" on the accompanying Condensed Consolidated Statements of Earnings. The effective differentials paid or received on treasury lock agreements related to the anticipated issuance of fixed rate debt are recognized as adjustments to "Interest expense" on the accompanying Condensed Consolidated Statements of Earnings. During the second quarter of 2009, Snap-on settled treasury locks of $28 million related to the settlement of extended credit installment receivables sold to CIT. During the first six months of 2009, Snap-on settled treasury locks of $79 million related to the settlement of extended credit installment receivables sold to CIT and $100 million related to the forecasted principal debt issuance related to the company's offering of $300 million of fixed rate, long-term notes on February 24, 2009. There were no treasury locks outstanding at July 3, 2010, or January 2, 2010.

Fair Value Measurements: Snap-on has derivative assets and liabilities that are measured at Level 2 fair value on a recurring basis. The following table represents the fair value of derivative instruments included within the Condensed Consolidated Balance Sheets:

		July 3, 2010		January 2, 2010	
(Amounts in millions)	Balance Sheet Presentation	Asset Derivatives Fair Value	Liability Derivatives Fair Value	Asset Derivatives Fair Value	Liability Derivatives Fair Value
Derivatives Designated as Hedging Instruments:					
Interest rate swap agreements	Other assets	$ 11.5	$ –	$ 2.5	$ –
Derivatives Not Designated as Hedging Instruments:					
Foreign exchange forwards	Prepaid expenses and other assets	$ 5.3	$ –	$ 3.1	$ –
Foreign exchange forwards	Other accrued liabilities	–	21.7	–	8.5
Total		$ 5.3	$ 21.7	$ 3.1	$ 8.5
Total derivative instruments		$ 16.8	$ 21.7	$ 5.6	$ 8.5

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between participants at the measurement date. Level 2 fair value measurements for derivative assets and liabilities are measured using quoted prices in active markets for similar assets and liabilities. Interest rate swaps are valued based on the six-month LIBOR swap rate for similar instruments. Foreign exchange forward contracts are valued based on exchange rates quoted by domestic and foreign banks for similar instruments. The company did not have any assets or liabilities measured at Level 1 or Level 3 or implement any changes in its valuation techniques as of and for the six month period ended July 3, 2010.

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The following table represents the effect of derivative instruments designated as fair value hedges as included in the Condensed Consolidated Statements of Earnings:

(Amounts in millions)	Statement of Earnings Presentation	Effective Portion of Gain / (Loss) Recognized in Income Three months ended July 3, 2010	Three months ended July 4, 2009	Effective Portion of Gain / (Loss) Recognized in Income Six months ended July 3, 2010	Six months ended July 4, 2009
Derivatives Designated as Fair Value Hedges:					
Interest rate swap agreements	Interest expense	$ 1.4	$ 0.3	$ 2.2	$ 0.9

The following tables represent the effect of derivative instruments designated as cash flow hedges as included in Accumulated OCI on the Condensed Consolidated Balance Sheets and the Condensed Consolidated Statements of Earnings:

(Amounts in millions)	Effective Portion of Gain / (Loss) Recognized in Accumulated OCI Three months ended July 3, 2010	Three months ended July 4, 2009	Statement of Earnings Presentation	Effective Portion of Gain / (Loss) Reclassified from Accumulated OCI into Income Three months ended July 3, 2010	Three months ended July 4, 2009
Derivatives Designated as Cash Flow Hedges:					
Treasury lock agreements	$ –	$ (0.1)	Financial services revenue	$ –	$ (1.0)

(Amounts in millions)	Effective Portion of Gain / (Loss) Recognized in Accumulated OCI Six months ended July 3, 2010	Six months ended July 4, 2009	Statement of Earnings Presentation	Effective Portion of Gain / (Loss) Reclassified from Accumulated OCI into Income Six months ended July 3, 2010	Six months ended July 4, 2009
Derivatives Designated as Cash Flow Hedges:					
Treasury lock agreements	$ –	$ 0.8	Interest expense	$ –	$ –
Treasury lock agreements	–	(0.3)	Financial services revenue	–	(2.6)
Firm commitment agreements	–	–	Net sales	–	(0.1)

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The following table represents the effect of derivative instruments not designated as hedging instruments as included in the Condensed Consolidated Statements of Earnings:

		Gain / (Loss) Recognized in Income Three months ended		Gain / (Loss) Recognized in Income Six months ended	
(Amounts in millions)	Statement of Earnings Presentation	July 3, 2010	July 4, 2009	July 3, 2010	July 4, 2009
Derivatives Not Designated as Hedging Instruments:					
Foreign exchange forwards	Other income (expense) – net	$ (8.8)	$ 18.3	$ (20.9)	$ 3.3

As discussed above, Snap-on's foreign exchange forward contracts are typically not designated as hedges for financial reporting purposes. The fair value changes of derivatives not designated as hedging instruments are reported in earnings as foreign exchange gain or loss in "Other income (expense) – net" on the accompanying Condensed Consolidated Statements of Earnings. The $8.8 million derivative loss recognized in the second quarter of 2010 was offset by transaction gains on net exposures of $7.4 million, resulting in a net foreign exchange loss for the second quarter of $1.4 million. The $18.3 million derivative gain recognized in the second quarter of 2009 was offset by transaction losses on net exposures of $17.6 million, resulting in a net foreign exchange gain for the second quarter of $0.7 million. The $20.9 million derivative loss recognized in the first six months of 2010 was offset by transaction gains on net exposures of $19.7 million, resulting in a year to date net foreign exchange loss of $1.2 million. The $3.3 million derivative gain recognized in the first six months of 2009 was offset by transaction losses on net exposures of $3.2 million, resulting in a year to date net foreign exchange gain of $0.1 million. The resulting net foreign exchange gains and losses are included in "Other income (expense) – net" on the accompanying Condensed Consolidated Statements of Earnings. See Note 15 for additional information on "Other income (expense) – net."

See the accompanying Condensed Consolidated Statements of Comprehensive Income for additional information on changes in comprehensive income.

As of July 3, 2010, the maximum maturity date of any fair value hedge was 11 years. During the next 12 months, Snap-on expects to reclassify into earnings net gains from Accumulated OCI of approximately $48,000 after tax at the time the underlying hedge transactions are realized.

Counterparty Risk: Snap-on is exposed to credit losses in the event of non-performance by the counterparties to its interest rate swap and foreign exchange contracts. Snap-on does not obtain collateral or other security to support financial instruments subject to credit risk, but monitors the credit standing of the counterparties and enters into agreements only with financial institution counterparties with a credit rating of A- or better. Snap-on does not anticipate non-performance by its counterparties, but cannot provide assurances.

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Fair Value of Financial Instruments: The fair values of financial instruments that do not approximate the carrying values in the financial statements are as follows:

	July 3, 2010		January 2, 2010	
(Amounts in millions)	Carrying Value	Fair Value	Carrying Value	Fair Value
Contract receivables – net	$ 126.8	$ 150.6	$ 103.6	$ 113.0
Finance receivables – net	447.7	536.1	300.2	358.8
Long-term debt and notes payable and current maturities of long-term debt	923.4	1,009.1	1,066.8	1,118.0

The following methods and assumptions were used in estimating the fair value of financial instruments:

- Contract and finance receivables include both short-term and long-term receivables. The fair value was based on a discounted cash flow analysis that was performed over the average life of the financing receivables using a current market discount rate of a similar term adjusted for credit quality.
- Long-term debt and current maturities fair value was estimated based on quoted market values of Snap-on's publicly traded senior debt. The carrying value of long-term debt includes adjustments related to fair value hedges.
- The fair value of all other financial instruments including cash equivalents, trade and other accounts receivable, accounts payable, notes payable, and other financial instruments approximates such instruments' carrying value due to their short-term nature.

Note 10: Pension Plans

Snap-on's net pension expense included the following components:

	Three Months Ended		Six Months Ended	
(Amounts in millions)	July 3, 2010	July 4, 2009	July 3, 2010	July 4, 2009
Service cost	$ 3.7	$ 3.7	$ 8.3	$ 8.2
Interest cost	13.4	13.6	27.2	26.8
Expected return on assets	(14.4)	(14.9)	(28.8)	(30.0)
Actuarial loss	4.8	2.0	9.7	3.3
Prior service cost	0.3	0.3	0.6	0.6
Net pension expense	$ 7.8	$ 4.7	$ 17.0	$ 8.9

Snap-on also expects to make contributions of $9.0 million to its foreign pension plans and $1.5 million to its domestic pension plans in 2010. Snap-on funds its pension plans as required by governmental regulation. Depending on market and other conditions, Snap-on may elect to make discretionary cash contributions to its domestic pension plans in 2010, and future pension contributions could increase.

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Note 11: Postretirement Health Care Plans

Snap-on's postretirement health care expense included the following components:

	Three Months Ended		Six Months Ended	
(Amounts in millions)	July 3, 2010	July 4, 2009	July 3, 2010	July 4, 2009
Service cost	$ –	$ –	$ 0.1	$ 0.1
Interest cost	1.0	1.3	1.9	2.4
Expected return on plan assets	(0.2)	(0.2)	(0.4)	(0.4)
Prior service credit	(0.1)	(0.1)	(0.2)	(0.2)
Net postretirement expense	$ 0.7	$ 1.0	$ 1.4	$ 1.9

Note 12: Stock-Based Compensation

The 2001 Incentive Stock and Awards Plan, as amended ("2001 Plan"), which was approved by shareholders, provides for the grant of stock options, performance share awards, and restricted stock awards (which may be designated as "restricted stock units" or "RSUs"). As of July 3, 2010, the 2001 Plan had 1,489,953 shares available for future grants; the company uses treasury stock to deliver shares under the 2001 Plan.

Net stock-based expense was $2.9 million and $5.9 million for the three and six month periods ended July 3, 2010, respectively. The reversal of performance award accruals not expected to vest and the impact of mark-to-market adjustments on stock appreciation rights resulted in a net credit to income of $4.2 million for both the three and six month periods ended July 4, 2009. Cash received from option exercises during the three and six month periods ended July 3, 2010, totaled $11.0 million and $13.0 million, respectively. Cash received from option exercises during the three and six month periods ended July 4, 2009, totaled $3.3 million and $3.4 million, respectively. The tax benefit realized from the exercise of share-based payment arrangements was $0.3 million and $0.6 million for the three and six month periods ended July 3, 2010, respectively. The tax benefit realized from the exercise of share-based payment arrangements was insignificant for the three month period ended July 4, 2009, and was $3.4 million for the six month period ended July 4, 2009.

Stock Options

Stock options are granted with an exercise price equal to the market value of a share of common stock on the date of grant and have a contractual term of ten years. Stock option grants vest ratably on the first, second and third anniversaries of the date of grant.

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The fair value of each stock option award is estimated on the date of grant using the Black-Scholes valuation model. The company uses historical data regarding stock option exercise behaviors for different participating groups to estimate the period of time that options granted are expected to be outstanding. Expected volatility is based on the historical volatility of the company's stock for the length of time corresponding to the expected term of the option. The expected dividend yield is based on the company's historical dividend payments. The risk-free interest rate is based on the U.S. treasury yield curve on the grant date for the expected term of the option. The following weighted-average assumptions were used in calculating the fair value of stock options granted during the three and six month periods ended July 3, 2010, and July 4, 2009, using the Black-Scholes valuation model:

	Three Months Ended		Six Months Ended	
	July 3, 2010	July 4, 2009	July 3, 2010	July 4, 2009
Expected term of option *(in years)*	5.74	5.70	5.85	5.87
Expected volatility factor	34.41%	33.00%	33.98%	30.17%
Expected dividend yield	2.75%	2.76%	2.76%	2.72%
Risk-free interest rate	2.23%	2.05%	2.39%	1.77%

A summary of stock option activity as of and for the six month period ended July 3, 2010, is presented below:

	Shares *(in thousands)*	Exercise Price Per Share (*)	Remaining Contractual Term (*) *(in years)*	Aggregate Intrinsic Value *(in millions)*
Outstanding at January 2, 2010	2,259	$ 39.47		
Granted	542	41.09		
Exercised	(106)	30.74		
Forfeited or expired	(52)	38.34		
Outstanding at July 3, 2010	2,643	40.18	7.04	$ 10.4
Exercisable at July 3, 2010	1,608	40.97	5.78	6.8

* Weighted-average

The weighted-average grant date fair value of options granted during the six month periods ended July 3, 2010, and July 4, 2009, was $10.90 and $6.74, respectively. The intrinsic value of options exercised was $0.8 million and $1.6 million during the three and six month periods ended July 3, 2010, respectively, and was insignificant for the three and six month periods ended July 4, 2009. The fair value of stock options vested during the six month periods ended July 3, 2010, and July 4, 2009, was $4.6 million and $3.3 million, respectively.

As of July 3, 2010, there was $8.0 million of unrecognized compensation cost related to non-vested stock option compensation arrangements granted under the 2001 Plan that is expected to be recognized as a charge to earnings over a weighted-average period of 2.0 years.

Performance Awards

Performance awards granted pursuant to the 2001 Plan are earned and expensed using the fair value of the award over a contractual term of three years based on the company's performance. Vesting of the performance awards is dependent upon performance relative to pre-defined goals for revenue growth and return on net assets for the applicable performance period. For performance achieved above a certain level, the recipient may earn additional shares of stock, not to exceed 100% of the number of performance awards initially awarded.

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In 2009, the company began granting performance-based units (designated as RSUs); such awards have a one year performance period based on the results of the consolidated financial metrics of the company followed by a two year cliff vesting schedule. For performance achieved above a certain level, the recipient may earn additional shares of stock, not to exceed 100% of the number of RSUs initially awarded.

The fair value of these awards is estimated on the date of grant using the Black-Scholes valuation model. The company uses the vesting period of the performance awards as the expected term of the awards granted. Expected volatility is based on the historical volatility of the company's stock for the length of time corresponding to the expected term of the performance award. The risk-free interest rate is based on the U.S. treasury yield curve on the grant date for the length of time corresponding to the expected term of the performance award. The following weighted-average assumptions were used in calculating the fair value of performance awards granted during the six month periods ended July 3, 2010, and July 4, 2009, using the Black-Scholes valuation model:

	Six Months Ended	
	July 3, 2010	July 4, 2009
Expected term of performance award *(in years)*	3.0	3.0
Expected volatility factor	42.82%	37.09%
Risk-free interest rate	1.44%	1.32%

The weighted-average grant date fair value of performance awards granted during the six month periods ended July 3, 2010, and July 4, 2009, was $41.01 and $29.69, respectively. Performance share awards of 125,164 shares were paid out during the six month period ended July 4, 2009; no performance shares were paid out in the six month period ended July 3, 2010. As performance share awards generally vest only at the end of the performance award period, no shares vested during the six month periods ended July 3, 2010, and July 4, 2009. Based on the company's 2009 performance, 65,819 RSUs granted in 2009 were earned; assuming continued employment, these RSUs will vest in February 2012.

The status of the company's non-vested performance share awards and changes during the six month period ended July 3, 2010, is presented below:

	Shares *(in thousands)*	Fair Value (*)
Non-vested performance awards at January 2, 2010	537	$ 41.73
Granted	286	41.01
Vested	–	–
Cancellations	(204)	43.94
Non-vested performance awards at July 3, 2010	619	36.77

* Weighted-average

As of July 3, 2010, there was $12.3 million of unrecognized compensation cost related to non-vested performance share awards granted under the 2001 Plan that is expected to be recognized as a charge to earnings over a weighted-average period of 2.3 years.

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Stock Appreciation Rights (“SARs”)

The company also issues SARs to certain key non-U.S. employees. SARs are granted with an exercise price equal to the market value of a share of Snap-on’s common stock on the date of grant and have a contractual term of ten years, and vest ratably on the first, second and third anniversaries of the date of grant. SARs provide for the cash payment of the excess of the fair market value of Snap-on’s common stock price on the date of exercise over the grant price. SARs have no effect on dilutive shares or shares outstanding as any appreciation of Snap-on’s common stock value over the grant price is paid in cash and not in common stock.

The fair value of SARs is remeasured each reporting period using the Black-Scholes valuation model. The company uses historical data regarding SARs exercise behaviors for different participating groups to estimate the expected term of the SARs granted based on the period of time that similar instruments granted are expected to be outstanding. Expected volatility is based on the historical volatility of the company’s stock for the length of time corresponding to the expected term of the SARs. The expected dividend yield is based on the company’s historical dividend payments. The risk-free interest rate is based on the U.S. treasury yield curve in effect as of the reporting date for the length of time corresponding to the expected term of the SARs. The following weighted-average assumptions were used in calculating the fair value of SARs granted during the three and six month periods ended July 3, 2010, and July 4, 2009, using the Black-Scholes valuation model:

	Three Months Ended		Six Months Ended	
	July 3, 2010	July 4, 2009	July 3, 2010	July 4, 2009
Expected term of SARs *(in years)*	5.22	5.36	5.54	5.69
Expected volatility factor	35.41%	34.09%	34.59%	30.25%
Expected dividend yield	2.75%	2.77%	2.76%	2.72%
Risk-free interest rate	1.82%	2.43%	2.39%	1.77%

The total intrinsic value of SARs exercised was $0.1 million and $0.2 million during the three and six month periods ended July 3, 2010, respectively, and zero during both the three and six month periods ended July 4, 2009. The total fair value of SARs vested during the first six months of 2010 and 2009 was $1.1 million and $0.3 million, respectively.

The status of the company’s non-vested SARs as of July 3, 2010, is presented below:

	SARs *(in thousands)*	Fair Value (*)
Non-vested SARs at January 2, 2010	259	$ 9.85
Granted	111	10.21
Vested	(137)	9.02
Cancellations	(4)	–
Non-vested SARs at July 3, 2010	229	11.27

* Weighted-average

As of July 3, 2010, there was $2.6 million of unrecognized compensation cost related to non-vested SARs granted under the 2001 Plan that is expected to be recognized as a charge to earnings over a weighted-average period of 2.0 years.

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Restricted Stock Awards

The company granted 22,610 restricted stock units to non-employee directors during the second quarter of 2010. All restrictions will lapse upon the recipient's termination of service as a director or in the event of a change in control, as defined in the 2001 Plan.

Note 13: Earnings Per Share

The shares used in the computation of the company's basic and diluted earnings per common share are as follows:

	Three Months Ended		Six Months Ended	
	July 3, 2010	July 4, 2009	July 3, 2010	July 4, 2009
Weighted-average common shares outstanding	58,017,075	57,665,601	57,898,714	57,607,666
Dilutive effect of stock-based instruments	281,521	256,493	405,347	274,074
Weighted-average common shares outstanding, assuming dilution	58,298,596	57,922,094	58,304,061	57,881,740

The dilutive effect of the potential exercise of outstanding stock-based awards to acquire common shares is calculated using the treasury stock method. Options to purchase 876,690 shares and 876,797 shares of Snap-on common stock for the three and six month periods ended July 3, 2010, respectively, and options to purchase 1,508,669 shares and 1,854,776 shares of Snap-on common stock for the three and six month periods ended July 4, 2009, respectively, were not included in the computations of diluted earnings per share as the exercise prices of the options were greater than the average market price of Snap-on's common stock for the respective periods and the effect on earnings per share would be anti-dilutive.

Note 14: Commitments and Contingencies

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 historic warranty loss experience that is periodically adjusted for recent actual experience, including the timing of claims during the warranty period and actual costs incurred. The following summarizes Snap-on's product warranty accrual activity for the three and six month periods ended July 3, 2010, and July 4, 2009:

	Three Months Ended		Six Months Ended	
(Amounts in millions)	July 3, 2010	July 4, 2009	July 3, 2010	July 4, 2009
Warranty reserve:				
Beginning of period	$ 14.5	$ 12.5	$ 14.3	$ 15.5
Additions	4.1	3.3	7.5	3.8
Usage	(4.3)	(2.3)	(7.5)	(5.8)
End of period	$ 14.3	$ 13.5	$ 14.3	$ 13.5

On January 8, 2010, Snap-on filed a notice of arbitration with the American Arbitration Association concerning a dispute with CIT relating to various underpayments made during the course of their financial services joint venture, in which Snap-on has alleged damages of approximately $115 million. As a result of the dispute, Snap-on has withheld certain amounts (totaling $107.8 million as of July 3, 2010, and $81.5 million as of 2009 year end) from payments made to CIT relating to ongoing business activities. On January 29, 2010, CIT filed its response denying Snap-on's claim and asserting certain claims against Snap-on for other matters relating to the joint venture. CIT's claims allege damages in excess of $110 million, the majority of which relates to returning the

SNAP-ON INCORPORATED
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
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amounts withheld by Snap-on. The $107.8 million retained by Snap-on as of July 3, 2010, is included in “Other accrued liabilities” on Snap-on’s July 3, 2010 Condensed Consolidated Balance Sheet. At this early stage, no determination can be made as to the likely outcome of this dispute.

Snap-on has credit risk exposure for certain SOC-originated contracts with recourse provisions related to franchisee van loans sold by SOC; as of July 3, 2010, and January 2, 2010, $16.1 million and $17.6 million, respectively, of franchisee loans contain a recourse provision to Snap-on if the loans become more than 90 days past due. The asset value of the collateral underlying these recourse loans would serve to mitigate Snap-on’s loss in the event of default. The estimated fair value of the guarantees for all loan originations with recourse as of July 3, 2010, was not material.

Snap-on is involved in various other legal matters that are being litigated and/or settled in the ordinary course of business. Although it is not possible to predict the outcome of these other legal matters, management believes that the results of these other legal matters will not have a material impact on Snap-on’s consolidated financial position, results of operations or cash flows.

Note 15: Other Income (Expense) – Net

“Other income (expense) – net” on the accompanying Condensed Consolidated Statements of Earnings consists of the following:

	Three Months Ended		Six Months Ended	
(Amounts in millions)	July 3, 2010	July 4, 2009	July 3, 2010	July 4, 2009
Interest income	$ 0.3	$ 0.5	$ 0.5	$ 0.8
Foreign exchange gain (loss)	(1.4)	0.7	(1.2)	0.1
Other	0.3	(0.1)	0.2	(0.1)
Total other income (expense) – net	$ (0.8)	$ 1.1	$ (0.5)	$ 0.8

Note 16: Segments

Snap-on’s business segments are based on the organization structure used by management for making operating and investment decisions and for assessing performance. In the second quarter of 2010, Snap-on realigned its management organization and, as a result, its reportable business segments. This organizational change reflects the company’s efforts to better support the product and service needs of the company’s primary customer segments. These customer segments include: (i) commercial and industrial customers, including professionals in critical industries and emerging markets; (ii) professional technicians who purchase products through the company’s worldwide mobile tool distribution network; and (iii) other professional customers related to automotive repair, including owners and managers of independent and Original Equipment Manufacturer (“OEM”) dealership service and repair shops. In addition, Snap-on’s Financial Services customer segment offers financing options that include (i) loans to franchisees’ customers and Snap-on’s industrial and other customers for the purchase or lease of tools, equipment and diagnostics products on an extended term payment plan; and (ii) business loans and vehicle leases to franchisees.

The primary organizational changes in the second quarter of 2010 included the realignment of the company’s equipment products and equipment repair services operations from the Commercial & Industrial Group to the newly created Repair Systems & Information Group in order to better serve customers in the worldwide vehicle service and repair marketplace, including owners and managers of independent and OEM dealership service and repair shops. In addition to equipment products and equipment repair services, the Repair Systems & Information Group includes the business operations of the company’s former Diagnostics & Information Group, consisting of those operations providing diagnostics, vehicle service information, business management systems, electronic parts catalogs, and other solutions for vehicle service to customers in the worldwide vehicle and repair marketplace. The organizational changes also included the realignment of the company’s sales operations in Japan from the Snap-on Tools Group to the

SNAP-ON INCORPORATED
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
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Commercial & Industrial Group to assist in further penetrating the customer base, particularly industrial buyers, in that region. The company also reallocated certain costs between the operating units as a result of these organizational changes, reflecting value-added activities and contributions related to the particular customer base being served. Prior year segment financial data has been restated to reflect these reportable business segment realignments.

As a result of these changes, Snap-on's reportable business segments are: (i) the Commercial & Industrial Group; (ii) the Snap-on Tools Group; (iii) the Repair Systems & Information Group; and (iv) Financial Services. The Commercial & Industrial Group consists of business operations serving a broad range of industrial and commercial customers worldwide, primarily through direct and distributor channels. The Snap-on Tools Group consists of business operations primarily serving automotive service technicians through the worldwide mobile tool distribution channel. The Repair Systems & Information Group consists of business operations serving other professional automotive-related customers, primarily owners and managers of independent repair shops and OEM dealers, through direct and distributor channels. Financial Services consists of the business operations of Snap-on's wholly owned finance subsidiaries.

Snap-on evaluates the performance of its operating segments based on segment revenues, including both external and intersegment net sales, and segment operating earnings. Snap-on accounts for intersegment sales and transfers based primarily on standard costs with reasonable mark-ups established between the segments. Identifiable assets by segment are those assets used in the respective reportable segment's operations. Corporate assets consist of cash and cash equivalents (excluding cash held at Financial Services), deferred income taxes, pension assets and certain other assets. All significant intersegment amounts are eliminated to arrive at Snap-on's consolidated financial results.

Financial data by segment was as follows:

	Three Months Ended		Six Months Ended	
(Amounts in millions)	July 3, 2010	July 4, 2009	July 3, 2010	July 4, 2009
Net sales:				
Commercial & Industrial Group	$ 258.7	$ 212.1	$ 505.7	$ 433.2
Snap-on Tools Group	264.5	242.6	513.0	469.7
Repair Systems & Information Group	205.9	198.0	408.0	385.1
Segment net sales	729.1	652.7	1,426.7	1,288.0
Intersegment eliminations	(81.5)	(62.7)	(157.5)	(125.4)
Total net sales	$ 647.6	$ 590.0	$ 1,269.2	$ 1,162.6
Financial services revenue	13.9	25.6	23.6	45.6
Total revenues	$ 661.5	$ 615.6	$ 1,292.8	$ 1,208.2
Operating earnings:				
Commercial & Industrial Group	$ 25.5	$ 2.3	$ 50.9	$ 21.9
Snap-on Tools Group	33.0	25.5	60.0	45.6
Repair Systems & Information Group	40.0	32.9	77.0	56.6
Financial Services	1.7	16.6	–	26.6
Segment operating earnings	100.2	77.3	187.9	150.7
Corporate	(19.5)	(7.0)	(37.2)	(16.1)
Operating earnings	$ 80.7	$ 70.3	$ 150.7	$ 134.6
Interest expense	(13.2)	(11.6)	(27.2)	(20.2)
Other income (expense) – net	(0.8)	1.1	(0.5)	0.8
Earnings before income taxes	$ 66.7	$ 59.8	$ 123.0	$ 115.2

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
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Financial Data by Segment (continued):

(Amounts in millions)	July 3, 2010	January 2, 2010
Assets:		
Commercial & Industrial Group	$ 815.2	$ 871.5
Snap-on Tools Group	400.6	373.1
Repair Systems & Information Group	901.3	943.5
Financial Services	694.4	530.8
Total assets from reportable segments	$ 2,811.5	$ 2,718.9
Corporate	531.5	768.0
Segment eliminations	(29.7)	(39.5)
Total assets	$ 3,313.3	$ 3,447.4

	Six Months Ended	
(Amounts in millions)	July 3, 2010	July 4, 2009
Capital expenditures:		
Commercial & Industrial Group	$ 5.7	$ 16.4
Snap-on Tools Group	3.2	8.8
Repair Systems & Information Group	2.8	7.9
Financial Services	0.1	0.1
Total from reportable segments	11.9	33.2
Corporate	0.5	0.4
Total capital expenditures	$ 12.3	$ 33.6
Depreciation and amortization:		
Commercial & Industrial Group	$ 11.0	$ 11.1
Snap-on Tools Group	8.2	8.1
Repair Systems & Information Group	16.2	16.6
Financial Services	0.3	0.5
Total from reportable segments	35.7	36.3
Corporate	0.8	0.8
Total depreciation and amortization	$ 36.5	$ 37.1

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

Caution Regarding Forward-Looking Statements:

Statements in this document that are not historical facts, including statements that (i) are in the future tense; (ii) include the words "expects," "plans," "targets," "estimates," "believes," "anticipates," or similar words that reference Snap-on Incorporated ("Snap-on" or "the company") or its management; (iii) are specifically identified as forward-looking; or (iv) describe Snap-on's or management's future outlook, plans, estimates, objectives or goals, are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Snap-on cautions the reader that any forward-looking statements included in this document that are based upon assumptions and estimates were developed by management in good faith and 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. Accordingly, forward-looking statements should not be relied upon as a prediction of actual results or regarded as a representation by the company or its management that the projected results will be achieved. For those forward-looking statements, Snap-on cautions the reader that numerous important factors, such as those listed below, as well as those factors discussed in its Annual Report on Form 10-K for the fiscal year ended January 2, 2010, which are incorporated herein by reference, could affect the company's actual results and could cause its actual consolidated results to differ materially from those expressed in any forward-looking statement made by, or on behalf of, Snap-on.

These risks and uncertainties include, without limitation, uncertainties related to estimates, statements, assumptions and projections generally, and the timing and progress with which Snap-on can attain efficiencies and savings from its Rapid Continuous Improvement and other cost reduction initiatives, including its ability to implement reductions in workforce, achieve improvements in the company's manufacturing footprint and greater efficiencies in its supply chain, and enhance machine maintenance, plant productivity and manufacturing line set-up and change-over practices, any or all of which could result in production inefficiencies, higher costs and/or lost revenues. These risks also include uncertainties related to Snap-on's capability to implement future strategies with respect to its existing businesses, its ability to refine its brand and franchise strategies, retain and attract franchisees, further improve service and value to franchisees and thereby enhance their sales and profitability, introduce successful new products, successfully integrate acquisitions, as well as its ability to withstand disruption arising from natural disasters, planned facility closures or other labor interruptions, the need to provide financing for the contracts and loans originated by Snap-on Credit LLC, litigation challenges, and external negative factors including instability in world credit and financial markets, weakness in the global economy, continued weakness in the U.S. automotive industry, and significant changes in the current competitive environment, inflation, interest rates and other monetary and market fluctuations, and the impact of legal proceedings, energy and raw material supply and pricing, including steel and gasoline, the amount, rate and growth of Snap-on's general and administrative expenses, including health care and postretirement costs (resulting from, among other matters, new U.S. health care legislation and reforms), the impacts of non-strategic business and/or product line rationalizations and terrorist disruptions on business. Interim results of operations are not necessarily indicative of the results to be expected for the full fiscal year. Snap-on disclaims any responsibility to update any forward-looking statement provided in this document, except as required by law.

In addition, investors should be aware that generally accepted accounting principles in the United States of America ("U.S. GAAP") prescribe when a company should reserve for particular risks, including litigation exposures. Accordingly, results for a given reporting period could be significantly affected if and when a reserve is established for a major contingency. Reported results, therefore, may appear to be volatile in certain accounting periods.

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RESULTS OF OPERATIONS

In the second quarter of 2010, Snap-on realigned its management organization and, as a result, its reportable business segments. This organizational change reflects the company's efforts to better support the product and service needs of the company's primary customer segments. As a result of this realignment, Snap-on's reportable business segments are: (i) the Commercial & Industrial Group; (ii) the Snap-on Tools Group; (iii) the newly created Repair Systems & Information Group; and (iv) Financial Services. Prior year segment financial data has been restated to reflect these reportable business segment realignments. See Note 16 to the Condensed Consolidated Financial Statements and "Segment Results" in this Management's Discussion and Analysis for further information on the company's reportable business segments.

Results of operations for the three month periods ended July 3, 2010, and July 4, 2009, are as follows:

	Three Months Ended					
(Amounts in millions)	July 3, 2010		July 4, 2009		Change	
Net sales	$ 647.6	100.0%	$ 590.0	100.0%	$ 57.6	9.8%
Cost of goods sold	(343.8)	-53.1%	(336.0)	-56.9%	(7.8)	-2.3%
Gross profit	303.8	46.9%	254.0	43.1%	49.8	19.6%
Operating expenses	(224.8)	-34.7%	(200.3)	-34.0%	(24.5)	-12.2%
Operating earnings before financial services	79.0	12.2%	53.7	9.1%	25.3	47.1%
Financial services revenue	13.9	100.0%	25.6	100.0%	(11.7)	-45.7%
Financial services expenses	(12.2)	-87.8%	(9.0)	-35.2%	(3.2)	-35.6%
Operating earnings from financial services	1.7	12.2%	16.6	64.8%	(14.9)	-89.8%
Operating earnings	80.7	12.2%	70.3	11.4%	10.4	14.8%
Interest expense	(13.2)	-2.0%	(11.6)	-1.9%	(1.6)	-13.8%
Other income (expense) – net	(0.8)	-0.1%	1.1	0.2%	(1.9)	NM
Earnings before income taxes and equity earnings (loss)	66.7	10.1%	59.8	9.7%	6.9	11.5%
Income tax expense	(20.3)	-3.1%	(17.6)	-2.9%	(2.7)	-15.3%
Earnings before equity earnings (loss)	46.4	7.0%	42.2	6.8%	4.2	10.0%
Equity earnings (loss), net of tax	0.5	0.1%	(0.2)	–	0.7	NM
Net earnings	46.9	7.1%	42.0	6.8%	4.9	11.7%
Net earnings attributable to noncontrolling interests	(1.6)	-0.3%	(4.6)	-0.7%	3.0	65.2%
Net earnings attributable to Snap-on Inc.	$ 45.3	6.8%	$ 37.4	6.1%	$ 7.9	21.1%

NM: Not meaningful

Percentage Disclosure: All income statement line item percentages below "Operating earnings from financial services" are calculated as a percentage of the sum of Net sales and Financial services revenue.

Net sales in the second quarter of 2010 of $647.6 million were up $57.6 million, or 9.8%, from 2009 levels; excluding $0.9 million of favorable currency translation, organic sales in the quarter increased 9.6% from 2009 levels.

Sales in the Commercial & Industrial Group of $258.7 million in the second quarter of 2010 were up $46.6 million, or 22.0%, from 2009 levels; excluding $0.9 million of unfavorable currency translation, organic sales increased 22.5%. Sales in the Snap-on Tools Group of $264.5 million increased $21.9 million, or 9.0%, from 2009 levels; excluding $2.8 million of favorable currency translation, organic sales increased 7.8%. Sales in the Repair Systems & Information Group of $205.9 million increased $7.9 million, or 4.0%, from 2009 levels; excluding $1.4 million of unfavorable currency translation, organic sales increased 4.7%.

Gross profit in the second quarter of 2010 was $303.8 million as compared to $254.0 million in 2009. The $49.8 million gross profit increase is primarily due to the higher sales volumes, $6.8 million of savings from ongoing efficiency and productivity (collectively, "Rapid Continuous Improvement" or "RCI") initiatives and other cost reduction activities, including benefits from restructuring actions, $5.1 million of favorable currency effects and $3.1 million of lower restructuring costs. The year-over-year gross profit comparison also benefited from favorable manufacturing utilization as a result of increasing production levels; in the second quarter of 2009, the company incurred costs to carry excess manufacturing capacity, primarily in Europe, as a result of lower production and inventory reduction efforts. As a percentage of sales, gross margin of 46.9% in the second quarter of 2010 increased 380 basis points (100 basis points equals 1.0 percent) as compared to 43.1% in 2009.

Operating expenses in the second quarter of 2010 were $224.8 million as compared to $200.3 million in 2009. The $24.5 million increase in year-over-year operating expenses includes $14.0 million of higher long-term and current year performance-based incentive compensation expense as a result of the company's improved year-over-year operating performance, increased volume-related expenses, $3.1 million of higher pension expense, largely due to lower than projected asset returns in previous years related to the U.S. pension plan, and higher stock-based expense. These increases were partially offset by $2.5 million of benefits from ongoing RCI, restructuring and other cost reduction initiatives and $2.5 million of lower restructuring costs. As a percentage of sales, operating expenses were 34.7% in the second quarter of 2010 as compared to 34.0% in 2009.

Operating income from Financial Services was $1.7 million on revenue of $13.9 million in the second quarter of 2010, as compared with $16.6 million of operating income on revenue of $25.6 million in 2009. On July 16, 2009, Snap-on terminated its financial services joint venture agreement with CIT Group Inc. ("CIT") relating to the parties' Snap-on Credit LLC ("SOC") financial services joint venture, and subsequently purchased CIT's 50%-ownership interest in the joint venture for $8.1 million pursuant to the terms of the joint venture agreement. Since July 16, 2009, Snap-on is providing financing for the majority of new loans originated by SOC and SOC is recording the interest yield on the new on-book receivables over the life of the contracts as financial services revenue. Previously, SOC sold substantially all new contract originations to CIT and recorded gains on the sale of the contracts as financial services revenue. The change from recognizing gains on contract sales to CIT, to recognizing the interest yield on the on-book receivables, was a primary factor in the year-over-year declines in both revenues and operating earnings. See Notes 1, 2 and 3 to the Condensed Consolidated Financial Statements for further information on SOC.

Consolidated operating earnings in the second quarter of 2010 of $80.7 million increased $10.4 million, or 14.8%, from the $70.3 million achieved in the second quarter of 2009, despite $14.9 million of lower year-over-year operating earnings from financial services. The $10.4 million increase in year-over-year consolidated operating earnings includes $4.9 million of favorable currency effects.

Interest expense of $13.2 million in the second quarter of 2010 was up $1.6 million from the prior year primarily due to higher average debt levels, partially offset by the impact of declining interest rates. See Note 8 to the Condensed Consolidated Financial Statements for information on the company's debt and credit facilities.

Other income (expense) – net was expense of $0.8 million in the second quarter of 2010 as compared to income of $1.1 million in 2009. Other income (expense) – net primarily included interest income as well as hedging and currency exchange rate transaction gains and losses. See Note 15 to the Condensed Consolidated Financial Statements for further information.

Snap-on's effective income tax rate on earnings attributable to Snap-on was 31.2% in the second quarter of 2010 and 31.9% in the second quarter of 2009. The second quarter 2010 effective income tax rate benefited from the favorable settlement of a tax audit. The second quarter 2009 effective income tax rate reflects the realization of a tax benefit in a foreign jurisdiction partially offset by a higher mix of U.S. earnings. See Note 7 to the Condensed Consolidated Financial Statements for information on income taxes.

On April 6, 2010, Snap-on acquired the remaining 40% interest in Wanda Snap-on (Zhejiang) Co. Ltd ("Wanda Snap-on"), the company's tool manufacturing operation in Xiaoshan, China, for a purchase price of $7.7 million and $0.1 million of transaction costs. Snap-on acquired a 60% interest in Wanda Snap-on for a cash purchase price of $15.4 million (or $14.1 million, net of cash acquired), including $1.2 million of transaction costs, on March 5, 2008. The acquisition of Wanda Snap-on is part of the company's ongoing strategic initiatives to further expand its manufacturing presence in emerging growth markets and lower-cost regions. On July 1, 2010, Wanda Snap-on was officially renamed Snap-on Asia Manufacturing (Zhejiang) Co. Ltd. ("Xiaoshan"). For segment reporting purposes, the results of Xiaoshan, which have been included in Snap-on's consolidated financial statements since the date of acquisition, are included in the Commercial & Industrial Group. Pro forma financial information is not presented as the impact of the acquisition was not material to Snap-on's results of operations or financial position.

Net earnings attributable to Snap-on in the second quarter of 2010 were $45.3 million, or $0.78 per diluted share. Net earnings attributable to Snap-on in the second quarter of 2009 were $37.4 million, or $0.65 per diluted share.

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(continued)

Results of operations for the six month periods ended July 3, 2010, and July 4, 2009, are as follows:

	Six Months Ended					
(Amounts in millions)	July 3, 2010		July 4, 2009		Change	
Net sales	$ 1,269.2	100.0%	$ 1,162.6	100.0%	$ 106.6	9.2%
Cost of goods sold	(677.8)	-53.4%	(649.9)	-55.9%	(27.9)	-4.3%
Gross profit	591.4	46.6%	512.7	44.1%	78.7	15.4%
Operating expenses	(440.7)	-34.7%	(404.7)	-34.8%	(36.0)	-8.9%
Operating earnings before financial services	150.7	11.9%	108.0	9.3%	42.7	39.5%
Financial services revenue	23.6	100.0%	45.6	100.0%	(22.0)	-48.2%
Financial services expenses	(23.6)	-100.0%	(19.0)	41.7%	(4.6)	-24.2%
Operating earnings from financial services	–	–	26.6	58.3%	(26.6)	-100.0%
Operating earnings	150.7	11.6%	134.6	11.1%	16.1	12.0%
Interest expense	(27.2)	-2.1%	(20.2)	-1.7%	(7.0)	-34.7%
Other income (expense) – net	(0.5)	–	0.8	0.1%	(1.3)	NM
Earnings before income taxes and equity earnings (loss)	123.0	9.5%	115.2	9.5%	7.8	6.8%
Income tax expense	(39.3)	-3.0%	(35.9)	-2.9%	(3.4)	-9.5%
Earnings before equity earnings (loss)	83.7	6.5%	79.3	6.6%	4.4	5.5%
Equity earnings (loss), net of tax	1.2	0.1%	(0.1)	–	1.3	NM
Net earnings	84.9	6.6%	79.2	6.6%	5.7	7.2%
Net earnings attributable to noncontrolling interests	(2.8)	-0.2%	(7.0)	-0.6%	4.2	60.0%
Net earnings attributable to Snap-on Inc.	$ 82.1	6.4%	$ 72.2	6.0%	$ 9.9	13.7%

NM: Not meaningful

Percentage Disclosure: All income statement line item percentages below "Operating earnings from financial services" are calculated as a percentage of the sum of Net sales and Financial services revenue.

Net sales in the first six months of 2010 of $1,269.2 million were up $106.6 million, or 9.2%, from 2009 levels; excluding $25.3 million of favorable currency translation, organic sales increased 6.8% from 2009 levels. Snap-on has significant international operations and is subject to certain risks inherent with foreign operations, including currency translation fluctuations.

Sales in the Commercial & Industrial Group of $505.7 million for the first six months of 2010 increased $72.5 million, or 16.7%, from 2009 levels; excluding $8.0 million of favorable currency translation, organic sales increased 14.6%. Sales in the Snap-on Tools Group of $513.0 million increased $43.3 million, or 9.2%, from 2009 levels; excluding $12.9 million of favorable currency translation, organic sales increased 6.3%. Sales in the Repair Systems & Information Group of $408.0 million increased $22.9 million, or 5.9%, from 2009 levels; excluding $4.3 million of favorable currency translation, organic sales increased 4.8%.

Gross profit in the first six months of 2010 was $591.4 million as compared to $512.7 million in 2009. The $78.7 million gross profit increase is primarily due to the higher sales volumes, $16.2 million of favorable currency effects, $14.0

million of savings from ongoing RCI and other cost reduction activities, including benefits from restructuring and cost containment actions, and $1.9 million of lower restructuring costs. The year-over-year gross profit comparison also benefited from favorable manufacturing utilization as a result of increasing production levels; in the first six months of 2009, the company incurred costs to carry excess manufacturing capacity, primarily in Europe, as a result of lower production and inventory reduction efforts. As a result of these factors, gross margin of 46.6% in 2010 increased 250 basis points from 44.1% in 2009.

Operating expenses in the first six months of 2010 were $440.7 million, as compared to $404.7 million in 2009. In addition to higher volume-related and other expenses, the $36.0 million increase in year-over-year operating expenses includes $14.8 million of higher long-term and current year performance-based incentive compensation expense as a result of the company's improved year-over-year operating performance, $8.1 million of higher pension expense, largely due to lower than projected asset returns in previous years related to the U.S. pension plan, $7.2 million of unfavorable currency effects and $4.6 million of higher stock-based expense. These increases were partially offset by $8.9 million of benefits from ongoing RCI and other cost reduction activities, including benefits from restructuring and cost containment actions, and $2.2 million of lower restructuring costs. As a percentage of sales, operating expenses were 34.7% in the first six months of 2010 as compared to 34.8% in 2009.

Operating income from Financial Services was zero on revenue of $23.6 million in the first six months of 2010, as compared with $26.6 million of operating income on revenue of $45.6 million in 2009, reflecting the July 16, 2009 termination of Snap-on's financial services joint venture with CIT. See Notes 1, 2 and 3 to the Condensed Consolidated Financial Statements for further information on SOC.

Consolidated operating earnings in the first six months of 2010 of $150.7 million were up $16.1 million, or 12.0%, from the $134.6 million achieved in the first six months of 2009, despite $26.6 million of lower year-over-year operating earnings from financial services. The $16.1 million increase in year-over-year consolidated operating earnings includes $9.6 million of favorable currency effects.

Interest expense of $27.2 million in the first six months of 2010 was up $7.0 million from the prior year primarily due to higher average debt levels, partially offset by the impact of declining interest rates. See Note 8 to the Condensed Consolidated Financial Statements for information on the company's debt and credit facilities.

Other income (expense) – net was expense of $0.5 million in the first six months of 2010, as compared to income of $0.8 million in 2009. Other income (expense) – net primarily included interest income as well as hedging and currency exchange rate transaction gains and losses. See Note 15 to the Condensed Consolidated Financial Statements for further information.

Snap-on's effective income tax rate on earnings attributable to Snap-on was 32.7% in the first six months of 2010 and 33.2% in the first six months of 2009. The 2010 effective income tax rate benefited from the favorable settlement of a tax audit. See Note 7 to the Condensed Consolidated Financial Statements for information on income taxes.

Net earnings attributable to Snap-on in the first six months of 2010 were $82.1 million, or $1.41 per diluted share, as compared with $72.2 million, or $1.25 per diluted share, in 2009.

Exit and Disposal Activities

Snap-on recorded costs of $3.1 million and $6.3 million for exit and disposal activities in the three and six month periods ended July 3, 2010, respectively, as compared to $8.6 million and $10.6 million for exit and disposal activities in the three and six month periods ended July 4, 2009, respectively. Snap-on currently anticipates that full-year 2010 exit and disposal costs will approximate $15 million; full year 2009 exit and disposal costs totaled $22.0 million. See Note 6 to the Condensed Consolidated Financial Statements for information on Snap-on's exit and disposal activities.

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

Segment Results

Snap-on's business segments are based on the organization structure used by management for making operating and investment decisions and for assessing performance. In the second quarter of 2010, Snap-on realigned its management organization and, as a result, its reportable business segments. This organizational change reflects the company's efforts to better support the product and service needs of the company's primary customer segments. These customer segments include: (i) commercial and industrial customers, including professionals in critical industries and emerging markets; (ii) professional technicians who purchase products through the company's worldwide mobile tool distribution network; and (iii) other professional customers related to automotive repair, including owners and managers of independent and Original Equipment Manufacturer ("OEM") dealership service and repair shops. In addition, Snap-on's Financial Services customer segment offers financing options that include (i) loans to franchisees' customers and Snap-on's industrial and other customers for the purchase or lease of tools, equipment and diagnostics products on an extended term payment plan; and (ii) business loans and vehicle leases to franchisees.

The primary organizational changes in the second quarter of 2010 included the realignment of the company's equipment products and equipment repair services operations from the Commercial & Industrial Group to the newly created Repair Systems & Information Group in order to better serve customers in the worldwide vehicle service and repair marketplace, including owners and managers of independent and OEM dealership service and repair shops. In addition to equipment products and equipment repair services, the Repair Systems & Information Group includes the business operations of the company's former Diagnostics & Information Group, consisting of those operations providing diagnostics, vehicle service information, business management systems, electronic parts catalogs, and other solutions for vehicle service to customers in the worldwide vehicle and repair marketplace. The organizational changes also included the realignment of the company's sales operations in Japan from the Snap-on Tools Group to the Commercial & Industrial Group to assist in further penetrating the customer base, particularly industrial buyers, in that region. The company also reallocated certain costs between the operating units as a result of these organizational changes, reflecting value-added activities and contributions related to the particular customer base being served. Prior year segment financial data has been restated to reflect these reportable business segment realignments.

As a result of these changes, Snap-on's reportable business segments are: (i) the Commercial & Industrial Group; (ii) the Snap-on Tools Group; (iii) the Repair Systems & Information Group; and (iv) Financial Services. The Commercial & Industrial Group consists of business operations serving a broad range of industrial and commercial customers worldwide, primarily through direct and distributor channels. The Snap-on Tools Group consists of business operations primarily serving automotive service technicians through the worldwide mobile tool distribution channel. The Repair Systems & Information Group consists of business operations serving other professional automotive-related customers, primarily owners and managers of independent repair shops and OEM dealers, through direct and distributor channels. Financial Services consists of the business operations of Snap-on's wholly owned finance subsidiaries.

Snap-on evaluates the performance of its operating segments based on segment revenues, including both external and intersegment net sales, and segment operating earnings. Snap-on accounts for intersegment sales and transfers based primarily on standard costs with reasonable mark-ups established between the segments. Identifiable assets by segment are those assets used in the respective reportable segment's operations. Corporate assets consist of cash and cash equivalents (excluding cash held at Financial Services), deferred income taxes, pension assets and certain other assets. All significant intersegment amounts are eliminated to arrive at Snap-on's consolidated financial results.

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

Commercial & Industrial Group

	Three Months Ended					
(Amounts in millions)	July 3, 2010		July 4, 2009		Change	
External net sales	$ 217.7	84.2%	$ 189.7	89.4%	$ 28.0	14.8%
Intersegment net sales	41.0	15.8%	22.4	10.6%	18.6	83.0%
Segment net sales	258.7	100.0%	212.1	100.0%	46.6	22.0%
Cost of goods sold	(166.1)	-64.2%	(146.7)	-69.2%	(19.4)	-13.2%
Gross profit	92.6	35.8%	65.4	30.8%	27.2	41.6%
Operating expenses	(67.1)	-25.9%	(63.1)	-29.7%	(4.0)	-6.3%
Segment operating earnings	$ 25.5	9.9%	$ 2.3	1.1%	$ 23.2	NM

NM: Not meaningful

Segment net sales of $258.7 million in the second quarter of 2010 increased $46.6 million, or 22.0%, from 2009 levels. Excluding $0.9 million of unfavorable currency translation, organic sales increased $47.5 million, or 22.5%, reflecting higher sales across all operating units, particularly those businesses serving critical industries and emerging markets.

Segment gross profit of $92.6 million in the second quarter of 2010 was up $27.2 million, or 41.6%, from 2009 levels. The $27.2 million increase in year-over-year gross profit is primarily due to the higher sales, $5.2 million of savings from ongoing RCI and restructuring initiatives, $1.8 million of lower restructuring costs and $0.6 million of favorable currency effects. The year-over-year gross profit comparison also benefited from favorable manufacturing utilization, primarily in Europe, as a result of increasing production levels; in the second quarter of 2009, the segment incurred costs to carry excess manufacturing capacity as a result of lower production and inventory reduction efforts. As a result of these factors, gross margin for the second quarter of 2010 improved to 35.8%, up 500 basis points from 30.8% in the second quarter of 2009. Operating expenses of $67.1 million in the second quarter of 2010 were up $4.0 million from 2009 levels primarily due to higher volume-related and other expenses, partially offset by $1.4 million of lower restructuring costs and $0.8 million of benefits from ongoing restructuring initiatives. As a result of these factors, segment operating earnings of $25.5 million in the second quarter of 2010 increased $23.2 million from 2009 levels. As a percentage of segment net sales, operating earnings for the Commercial & Industrial Group increased from 1.1% in 2009 to 9.9% in 2010. The $23.2 million increase in year-over-year operating earnings includes $0.5 million of favorable currency effects.

	Six Months Ended					
(Amounts in millions)	July 3, 2010		July 4, 2009		Change	
External net sales	$ 428.7	84.8%	$ 382.4	88.3%	$ 46.3	12.1%
Intersegment net sales	77.0	15.2%	50.8	11.7%	26.2	51.6%
Segment net sales	505.7	100.0%	433.2	100.0%	72.5	16.7%
Cost of goods sold	(324.4)	-64.1%	(282.9)	-65.3%	(41.5)	-14.7%
Gross profit	181.3	35.9%	150.3	34.7%	31.0	20.6%
Operating expenses	(130.4)	-25.8%	(128.4)	-29.6%	(2.0)	-1.6%
Segment operating earnings	$ 50.9	10.1%	$ 21.9	5.1%	$ 29.0	132.4%

Segment net sales of $505.7 million in the first six months of 2010 increased $72.5 million, or 16.7%, from 2009 levels. Excluding $8.0 million of favorable currency translation, organic sales increased $64.5 million, or 14.6%, reflecting higher sales to customers in critical industries, continued higher sales in emerging growth markets, increased sales in the segment's European-based tools business, and higher sales of power and specialty tools.

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

Segment gross profit of $181.3 million in the first six months of 2010 was up $31.0 million, or 20.6%, from 2009 levels. The $31.0 million increase in year-over-year gross profit is primarily due to the higher sales, $8.7 million of savings from ongoing RCI and other cost reduction activities, including benefits from restructuring and cost containment actions, $2.0 million of favorable currency effects and $1.1 million of lower restructuring costs. The year-over-year gross profit comparison also benefited from favorable manufacturing utilization, primarily in Europe, as a result of increasing production levels; in the first six months of 2009, the segment incurred costs to carry excess manufacturing capacity as a result of lower production and inventory reduction efforts. As a result of these factors, gross margin of 35.9% for the first six months of 2010 improved 120 basis points from 34.7% for the first six months of 2009. Operating expenses of $130.4 million in the first six months of 2010 were up $2.0 million from 2009 levels primarily due to higher volume-related and other expenses and $2.7 million of unfavorable currency effects. These increases were partially offset by $3.9 million of savings from ongoing restructuring and other cost reduction and cost containment initiatives, and $2.1 million of lower restructuring costs. As a result of these factors, segment operating earnings of $50.9 million in the first six months of 2010 increased $29.0 million from 2009 levels. As a percentage of segment net sales, operating earnings for the Commercial & Industrial Group increased from 5.1% in 2009 to 10.1% in 2010. The $29.0 million increase in year-over-year operating earnings includes $0.7 million of unfavorable currency effects.

Snap-on Tools Group

	Three Months Ended					
(Amounts in millions)	July 3, 2010		July 4, 2009		Change	
Segment net sales	$ 264.5	100.0%	$ 242.6	100.0%	$ 21.9	9.0%
Cost of goods sold	(149.0)	56.3%	(141.5)	-58.3%	(7.5)	-5.3%
Gross profit	115.5	43.7%	101.1	41.7%	14.4	14.2%
Operating expenses	(82.5)	-31.2%	(75.6)	-31.2%	(6.9)	-9.1%
Segment operating earnings	$ 33.0	12.5%	$ 25.5	10.5%	$ 7.5	29.4%

Segment net sales of $264.5 million in the second quarter of 2010 increased $21.9 million, or 9.0%, from 2009 levels. Excluding $2.8 million of favorable currency translation, organic sales increased 7.8% year over year, including a 9.3% sales increase in the United States. As of July 3, 2010, van count in the United States was unchanged from first quarter 2010 levels and up slightly compared with June 2009 levels.

Segment gross profit of $115.5 million in the second quarter of 2010 increased $14.4 million, or 14.2%, from 2009 levels. The $14.4 million increase in year-over-year gross profit primarily reflects the effect of higher sales and benefits from favorable manufacturing utilization as a result of increasing U.S. production levels, and $4.9 million of favorable currency effects. As a percentage of sales, gross margin of 43.7% improved 200 basis points from 41.7% in 2009. Operating expenses of $82.5 million in the second quarter of 2010 increased $6.9 million from 2009 levels primarily due to higher volume-related and other expenses, $1.3 million of increased stock-based expense related to the franchisee stock purchase plan and $0.7 million of unfavorable currency effects. These increases to operating expenses were partially offset by $0.4 million of lower restructuring costs. As a result of these factors, segment operating earnings of $33.0 million in the second quarter of 2010 increased $7.5 million from 2009 levels and, as a percentage of segment net sales, improved from 10.5% in 2009 to 12.5% in 2010. The $7.5 million increase in year-over-year operating earnings includes $4.2 million of favorable currency effects.

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	Six Months Ended					
(Amounts in millions)	July 3, 2010		July 4, 2009		Change	
Segment net sales	$ 513.0	100.0%	$ 469.7	100.0%	$ 43.3	9.2%
Cost of goods sold	(292.3)	-57.0%	(274.0)	-58.3%	(18.3)	-6.7%
Gross profit	220.7	43.0%	195.7	41.7%	25.0	12.8%
Operating expenses	(160.7)	-31.3%	(150.1)	-32.0%	(10.6)	-7.1%
Segment operating earnings	$ 60.0	11.7%	$ 45.6	9.7%	$ 14.4	31.6%

Segment net sales of $513.0 million in the first six months of 2010 increased $43.3 million, or 9.2%, from 2009 levels. Excluding $12.9 million of favorable currency translation, organic sales increased 6.3% year over year. Sales in the United States increased 6.9% year over year and organic sales in the company's international franchise operations increased 4.6% year over year. As of July 3, 2010, van count in the United States was unchanged from first quarter 2010 levels and up slightly compared with June 2009 levels.

Segment gross profit of $220.7 million in the first six months of 2010 increased $25.0 million, or 12.8%, from 2009 levels. The $25.0 million increase primarily reflects the effect of higher sales and favorable manufacturing utilization, $12.3 million of favorable currency effects and $1.7 million of savings from ongoing restructuring initiatives. These increases were partially offset by the effects of inventory write-offs, lower gross profit from the sale of slow-moving and excess inventories and $1.5 million of material cost increases. The year-over-year gross profit comparison was also impacted by $2.4 million of lower warranty expense in the first six months of 2009 due to favorable historic warranty trend rates. As a percentage of sales, gross margin of 43.0% improved 130 basis points from 41.7% in 2009. Operating expenses of $160.7 million in the first six months of 2010 increased $10.6 million from 2009 levels primarily due to higher volume-related and other expenses, $3.1 million of unfavorable currency effects and $1.3 million of higher stock-based expense related to the franchisee stock purchase plan. These increases were partially offset by $1.4 million of savings from ongoing cost reduction and cost containment initiatives and $0.2 million of lower restructuring costs. As a result of these factors, segment operating earnings of $60.0 million in the first six months of 2010 increased $14.4 million from 2009 levels and, as a percentage of segment net sales, improved from 9.7% in 2009 to 11.7% in 2010. The $14.4 million increase in year-over-year operating earnings includes $9.2 million of favorable currency effects

Repair Systems & Information Group

	Three Months Ended					
(Amounts in millions)	July 3, 2010		July 4, 2009		Change	
External net sales	$ 165.4	80.3%	$ 157.7	79.6%	$ 7.7	4.9%
Intersegment net sales	40.5	19.7%	40.3	20.4%	0.2	0.5%
Segment net sales	205.9	100.0%	198.0	100.0%	7.9	4.0%
Cost of goods sold	(110.2)	-53.5%	(110.5)	-55.8%	0.3	0.3%
Gross profit	95.7	46.5%	87.5	44.2%	8.2	9.4%
Operating expenses	(55.7)	-27.1%	(54.6)	-27.6%	(1.1)	-2.0%
Segment operating earnings	$ 40.0	19.4%	$ 32.9	16.6%	$ 7.1	21.6%

Segment net sales of $205.9 million in the second quarter of 2010 increased $7.9 million, or 4.0%, from 2009 levels. Excluding $1.4 million of unfavorable currency translation, organic sales increased 4.7% year over year primarily due to higher worldwide sales of equipment and increased essential tool and facilitation program sales, partially offset by anticipated lower electronic parts catalog sales in North America as a result of OEM dealership consolidations.

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

Segment gross profit of $95.7 million in the second quarter of 2010 increased $8.2 million, or 9.4%, from 2009 levels. As a percentage of sales, gross margin improved 230 basis points from 44.2% in the second quarter of 2009 to 46.5% in the second quarter of 2010. The $8.2 million increase in gross profit primarily reflects the effect of higher sales, $1.6 million of benefits from ongoing RCI and restructuring initiatives and $1.1 million of lower restructuring costs. Operating expenses of $55.7 million in the second quarter of 2010 increased $1.1 million from 2009 levels as increased product development, volume-related and other expenses were partially offset by $1.7 million of savings from ongoing RCI, restructuring and other cost reduction initiatives, $1.0 million of lower bad debt expense and $0.7 million of lower restructuring costs. As a result of these factors, segment operating earnings of $40.0 million in the second quarter of 2010 increased $7.1 million from $32.9 million in 2009, and improved as a percentage of segment net sales to 19.4% in 2010 as compared to 16.6% in 2009. The $7.1 million increase in year-over-year operating earnings did not include any currency effects.

	Six Months Ended					
(Amounts in millions)	July 3, 2010		July 4, 2009		Change	
External net sales	$ 327.5	80.3%	$ 310.5	80.6%	$ 17.0	5.5%
Intersegment net sales	80.5	19.7%	74.6	19.4%	5.9	7.9%
Segment net sales	408.0	100.0%	385.1	100.0%	22.9	5.9%
Cost of goods sold	(218.6)	- 53.6%	(218.4)	- 56.7%	(0.2)	-0.1%
Gross profit	189.4	46.4%	166.7	43.3%	22.7	13.6%
Operating expenses	(112.4)	- 27.5%	(110.1)	- 28.6%	(2.3)	-2.1%
Segment operating earnings	$ 77.0	18.9%	$ 56.6	14.7%	$ 20.4	36.0%

Segment net sales of $408.0 million in the first six months of 2010 increased $22.9 million, or 5.9%, from 2009 levels. Excluding $4.3 million of favorable currency translation, organic sales increased 4.8% year over year primarily due to higher sales of equipment, increased essential tool and facilitation program sales, and higher sales of information and diagnostics products, partially offset by anticipated lower electronic parts catalog sales in North America as a result of OEM dealership consolidations.

Segment gross profit of $189.4 million in the first six months of 2010 increased $22.7 million, or 13.6%, from 2009 levels. As a percentage of sales, gross margin improved 310 basis points from 43.3% in 2009 to 46.4% in 2010. The $22.7 million increase in gross profit primarily reflects the effect of higher sales, $3.6 million of benefits from ongoing RCI, restructuring and other cost reduction and cost containment initiatives, $2.9 million of savings from material cost reductions, $1.9 million of favorable currency effects and $0.6 million of lower restructuring costs. The gross profit comparison also benefited from favorable year-over-year manufacturing utilization as a result of increasing production levels. Operating expenses of $112.4 million in the first six months of 2010 increased $2.3 million from 2009 levels as increased product development and other expenses, $1.4 million of unfavorable currency effects and $0.4 million of higher restructuring costs were partially offset by $3.6 million of savings from ongoing RCI, restructuring and other cost reduction and cost containment initiatives and $1.1 million of lower bad debt expense. As a result of these factors, segment operating earnings of $77.0 million in the first six months of 2010 increased $20.4 million, or 36.0%, from $56.6 million in 2009, and improved as a percentage of segment net sales to 18.9% in 2010 as compared to 14.7% in 2009. The $20.4 million increase in year-over-year operating earnings includes $0.5 million of favorable currency effects.

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

Financial Services

	Three Months Ended					
(Amounts in millions)	July 3, 2010		July 4, 2009		Change	
Financial services revenue	$ 13.9	100.0%	$ 25.6	100.0%	$ (11.7)	-45.7%
Financial services expenses	(12.2)	-87.8%	(9.0)	-35.2%	(3.2)	-35.6%
Segment operating earnings	$ 1.7	12.2%	$ 16.6	64.8%	$ (14.9)	-89.8%

Segment operating earnings were $1.7 million on $13.9 million of revenue in the second quarter of 2010, as compared with $16.6 million of operating earnings on $25.6 million of revenue in the second quarter of 2009. Since the July 16, 2009 termination of the financial services joint venture agreement with CIT, Snap-on is providing financing for the majority of new loans originated by SOC and SOC is recording the interest yield on the new on-book receivables over the life of the contracts as financial services revenue. Previously, SOC sold substantially all new contract originations to CIT and recorded gains on the sale of the contracts as financial services revenue. The change from recognizing gains on contract sales to CIT, to recognizing the interest yield on the on-book receivables, was a primary factor in the year-over-year declines in both revenues and operating earnings. Originations of $136.7 million in the second quarter of 2010 increased $2.7 million, or 2.0%, from prior-year levels. See Notes 1, 2 and 3 to the Condensed Consolidated Financial Statements for further information on SOC.

	Six Months Ended					
(Amounts in millions)	July 3, 2010		July 4, 2009		Change	
Financial services revenue	$ 23.6	100.0%	$ 45.6	100.0%	$ (22.0)	-48.2%
Financial services expenses	(23.6)	-100.0%	(19.0)	-41.7%	(4.6)	-24.2%
Segment operating earnings	$ –	–	$ 26.6	58.3%	$ (26.6)	-100.0%

Segment operating earnings were zero on $23.6 million of revenue in the first six months of 2010, as compared with $26.6 million of operating earnings on revenue of $45.6 million in 2009. Originations of $253.9 million in the first six months of 2010 increased 6.1% as compared to $239.2 million in the first six months of 2009.

Corporate

Snap-on's general corporate expenses of $19.5 million in the second quarter of 2010 increased $12.5 million from $7.0 million in the second quarter of 2009 primarily due to an increase in long-term and current year performance-based incentive compensation expense as a result of the company's improved year-over-year operating performance, higher stock-based expense and $3.1 million of higher pension expense, largely due to lower than projected asset returns in previous years related to the U.S. pension plan.

Snap-on's general corporate expenses of $37.2 million in the first six months of 2010 increased $21.1 million from $16.1 million in the first six months of 2009 primarily due to an increase in long-term and current year performance-based incentive compensation expense as a result of the company's improved year-over-year operating performance, higher stock-based expense and $8.1 million of higher pension expense, largely due to lower than projected asset returns in previous years related to the U.S. pension plan.

Supplemental Data

The supplemental data is presented for informational purposes to provide readers with insight into the information used by management for assessing operating performance of the company's non-financial services ("Operations") and "Financial Services" businesses.

The supplemental Operations data reflects the results of operations and financial position of Snap-on's tools, diagnostics, equipment, software and other non-financial services operations with Financial Services on the equity method. The supplemental Financial Services data reflects the results of operations and financial position of Snap-on's U.S. and international financial services operations. The financing needs of Financial Services are met through intersegment borrowings from Snap-on Incorporated and Financial Services is charged intersegment interest expense on those intersegment borrowings at market rates. Long-term debt for Operations includes the company's third party external borrowings, net of intersegment borrowings to Financial Services. Cash and cash equivalents for Financial Services primarily represents cash allocated from Operations based on outstanding intersegment borrowings made by Financial Services to Operations. Income taxes are charged (credited) to Financial Services on the basis of the specific tax attributes generated by the U.S. and international financial services businesses. Transactions between the Operations and Financial Services businesses were eliminated to arrive at the Condensed Consolidated Financial Statements.

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Supplemental Consolidating Data – The supplemental Condensed Statements of Earnings information for the three month periods ended July 3, 2010, and July 4, 2009, is as follows:

	Operations*		Financial Services	
(Amounts in millions)	July 3, 2010	July 4, 2009	July 3, 2010	July 4, 2009
Net sales	$ 647.6	$ 590.0	$ –	$ –
Cost of goods sold	(343.8)	(336.0)	–	–
Gross profit	303.8	254.0	–	–
Operating expenses	(224.8)	(200.3)	–	–
Operating earnings before financial services	79.0	53.7	–	–
Financial services revenue	–	–	13.9	25.6
Financial services expenses	–	–	(12.2)	(9.0)
Operating earnings from financial services	–	–	1.7	16.6
Operating earnings	79.0	53.7	1.7	16.6
Interest expense	(13.2)	(11.6)	–	–
Intersegment interest income (expense) – net	5.9	–	(5.9)	–
Other income (expense) – net	(0.9)	1.1	0.1	–
Earnings (loss) before income taxes and equity earnings (loss)	70.8	43.2	(4.1)	16.6
Income tax (expense) benefit	(21.9)	(12.7)	1.6	(4.9)
Earnings (loss) before equity earnings (loss)	48.9	30.5	(2.5)	11.7
Financial services – net earnings (loss) attributable to Snap-on Inc.	(2.5)	8.5	–	–
Equity earnings (loss), net of tax	0.5	(0.2)	–	–
Net earnings (loss)	46.9	38.8	(2.5)	11.7
Net earnings attributable to noncontrolling interests	(1.6)	(1.4)	–	(3.2)
Net earnings (loss) attributable to Snap-on Inc.	$ 45.3	$ 37.4	$ (2.5)	$ 8.5

* Snap-on Inc. with Financial Services on the equity method.

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

Supplemental Consolidating Data – The supplemental Condensed Statements of Earnings information for the six month periods ended July 3, 2010, and July 4, 2009, is as follows:

	Operations*		Financial Services	
(Amounts in millions)	July 3, 2010	July 4, 2009	July 3, 2010	July 4, 2009
Net sales	$ 1,269.2	$ 1,162.6	$ –	$ –
Cost of goods sold	(677.8)	(649.9)	–	–
Gross profit	591.4	512.7	–	–
Operating expenses	(440.7)	(404.7)	–	–
Operating earnings before financial services	150.7	108.0	–	–
Financial services revenue	–	–	23.6	45.6
Financial services expenses	–	–	(23.6)	(19.0)
Operating earnings from financial services	–	–	–	26.6
Operating earnings	150.7	108.0	–	26.6
Interest expense	(27.2)	(20.2)	–	–
Intersegment interest income (expense) – net	9.6	(0.1)	(9.6)	0.1
Other income (expense) – net	(0.6)	0.9	0.1	(0.1)
Earnings (loss) before income taxes and equity earnings (loss)	132.5	88.6	(9.5)	26.6
Income tax benefit (expense)	(43.3)	(27.9)	4.0	(8.0)
Earnings (loss) before equity earnings (loss)	89.2	60.7	(5.5)	18.6
Financial services – net earnings (loss) attributable to Snap-on Inc.	(5.5)	14.0	–	–
Equity earnings (loss), net of tax	1.2	(0.1)	–	–
Net earnings (loss)	84.9	74.6	(5.5)	18.6
Net earnings attributable to noncontrolling interests	(2.8)	(2.4)	–	(4.6)
Net earnings (loss) attributable to Snap-on Inc.	$ 82.1	$ 72.2	$ (5.5)	$ 14.0

* Snap-on Inc. with Financial Services on the equity method.

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

Supplemental Consolidating Data – The supplemental Condensed Balance Sheet information as of July 3, 2010, and January 2, 2010, is as follows:

	Operations*		Financial Services	
(Amounts in millions)	July 3, 2010	January 2, 2010	July 3, 2010	January 2, 2010
ASSETS				
Current assets				
Cash and cash equivalents	$ 320.5	$ 577.1	$ 110.3	$ 122.3
Intersegment receivables	6.2	4.8	–	0.1
Trade and other accounts receivable – net	401.3	411.5	6.2	2.9
Contract receivables – net	7.8	7.4	27.8	25.5
Finance receivables – net	–	–	169.1	122.3
Inventories – net	296.5	274.7	–	–
Deferred income tax assets	70.7	69.3	3.5	0.2
Prepaid expenses and other assets	69.9	60.1	4.0	2.8
Total current assets	1,172.9	1,404.9	320.9	276.1
Property and equipment – net	323.0	346.4	1.2	1.4
Investment in Financial Services	106.6	205.6	–	–
Deferred income tax assets	80.7	73.6	11.4	14.6
Long-term contract receivables – net	9.6	10.9	81.6	59.8
Long-term finance receivables – net	–	–	278.6	177.9
Goodwill	773.1	814.3	–	–
Other intangibles – net	195.0	206.2	–	–
Other assets	73.1	65.2	0.7	1.0
Total assets	$ 2,734.0	$ 3,127.1	$ 694.4	$ 530.8

* Snap-on Inc. with Financial Services on the equity method.

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

Supplemental Consolidating Data – Condensed Balance Sheet Information (continued):

(Amounts in millions)	Operations*		Financial Services	
	July 3, 2010	January 2, 2010	July 3, 2010	January 2, 2010
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities				
Notes payable and current maturities of long-term debt	$ 13.6	$ 164.7	$ –	$ –
Accounts payable	127.7	119.3	0.8	0.5
Intersegment payables	–	4.2	6.2	0.7
Accrued benefits	41.0	48.4	–	0.3
Accrued compensation	62.9	61.6	1.8	3.2
Franchisee deposits	35.4	40.5	–	–
Other accrued liabilities	231.3	215.7	134.2	85.7
Total current liabilities	511.9	654.4	143.0	90.4
Long-term debt and intersegment long-term debt	479.2	674.8	430.6	227.3
Deferred income tax liabilities	87.8	97.8	0.1	–
Retiree health care benefits	58.8	60.7	–	–
Pension liabilities	262.3	255.9	–	–
Other long-term liabilities	69.7	77.9	14.1	7.5
Total liabilities	1,469.7	1,821.5	587.8	325.2
Total shareholders' equity attributable to Snap-on Inc.	1,248.7	1,290.0	106.6	205.6
Noncontrolling interests	15.6	15.6	–	–
Total shareholders' equity	1,264.3	1,305.6	106.6	205.6
Total liabilities and shareholders' equity	$ 2,734.0	$ 3,127.1	$ 694.4	$ 530.8

* Snap-on Inc. with Financial Services on the equity method.

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Liquidity and Capital Resources

Snap-on's growth has historically been funded 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 and available cash on hand, are sufficient to fund its currently anticipated requirements for working capital, loans originated by SOC, scheduled debt repayments, capital expenditures, restructuring activities, acquisitions, funding of pension plans, 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 close of business on July 27, 2010, Snap-on's long-term debt and commercial paper was rated Baa1 and P-2 by Moody's Investors Service and A- and A-2 by Standard & Poor's. Snap-on believes that its current credit arrangements are sound and that the strength of its balance sheet affords the company the financial flexibility to respond to both internal growth opportunities and those available through acquisitions. In light of the current state of the credit and financial markets and the company's borrowing levels, however, the company cannot provide any assurances of the availability of future financing or the terms on which it might be available, or that its debt ratings may not decrease.

The following discussion focuses on information included in the accompanying Condensed Consolidated Balance Sheets.

As of July 3, 2010, working capital (defined as current assets less current liabilities) of $839.7 million decreased $96.5 million from $936.2 million as of January 2, 2010.

The following represents the company's working capital position as of July 3, 2010, and January 2, 2010:

(Amounts in millions)	July 3, 2010	January 2, 2010
Cash and cash equivalents	$ 430.8	$ 699.4
Trade and other accounts receivable – net	407.5	414.4
Contract receivables – net	35.6	32.9
Finance receivables – net	169.1	122.3
Inventories – net	296.5	274.7
Other current assets	146.6	132.4
Total current assets	1,486.1	1,676.1
Notes payable and current maturities of long-term debt	(13.6)	(164.7)
Accounts payable	(128.5)	(119.8)
Other current liabilities	(504.3)	(455.4)
Total current liabilities	(646.4)	(739.9)
Total working capital	$ 839.7	$ 936.2

Cash and cash equivalents as of July 3, 2010, totaled $430.8 million as compared to $699.4 million as of January 2, 2010. The $268.6 million decrease in cash and cash equivalents is primarily due to the January 2010 repayment of $150 million of floating rate debt upon its maturity and the funding of new loans originated by SOC.

Trade and other accounts receivable – net at July 3, 2010, of $407.5 million decreased $6.9 million from 2009 year-end levels. Excluding $18.6 million of currency translation impacts, trade and other accounts receivable – net increased $11.7 million from 2009 levels primarily due to higher sales. Days sales outstanding (trade and other accounts receivable – net as of the respective period end, divided by the respective trailing 12 months sales, times 360 days) improved to 59 days at July 3, 2010, as compared to 63 days at January 2, 2010.

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

The current portions of net contract and finance receivables at July 3, 2010, totaled $204.7 million as compared to $155.2 million at 2009 year end. The long-term portions of net contract and finance receivables at July 3, 2010, totaled $369.8 million as compared to $248.6 million at 2009 year end. The combined $170.7 million increase in net current and long-term contract and finance receivables as compared to year-end 2009 levels is primarily due to the growth of the company's on-balance-sheet finance portfolio following the July 16, 2009 termination of the financial services joint venture agreement with CIT. Since July 16, 2009, Snap-on is providing financing for the majority of new contract and finance receivables originated by SOC and the related receivables are included on the company's balance sheet; previously, SOC sold substantially all new contract originations to CIT.

Inventories at the end of the second quarter of 2010 of $296.5 million increased $21.8 million from year-end 2009 levels primarily due to increased production levels as a result of higher customer demand. Excluding $14.4 million of currency translation impacts, inventories increased $36.2 million from 2009 year-end levels. Inventory turns (trailing 12 months of cost of goods sold, divided by the average of the beginning and ending inventory balance for the trailing 12 months) improved to 4.4 turns at July 3, 2010, as compared to 4.1 turns at January 2, 2010. Inventories accounted for using the first-in, first-out ("FIFO") method as of July 3, 2010, and January 2, 2010, approximated 63% and 66% of total inventories, respectively. All other inventories are accounted for using the last-in, first-out ("LIFO") method. The company's LIFO reserve was $68.4 million at both July 3, 2010, and January 2, 2010.

Notes payable and current maturities of long-term debt of $13.6 million as of July 3, 2010, declined $151.1 million from 2009 year end primarily due to the January 12, 2010 repayment of $150 million of floating rate debt upon its maturity.

Accounts payable at July 3, 2010, of $128.5 million increased $8.7 million from 2009 levels; excluding $5.5 million of currency translation impacts, accounts payable increased $14.2 million from year-end 2009 levels.

Other accrued liabilities of $363.2 million and $301.4 million at July 3, 2010, and January 2, 2010, respectively, included $107.8 million and $81.5 million, respectively, of amounts withheld from payments made to CIT relating to ongoing business activities. On January 8, 2010, Snap-on filed a notice of arbitration concerning a dispute with CIT relating to various underpayments made during the course of their financial services joint venture, in which Snap-on has alleged damages of approximately $115 million. As a result of the dispute, Snap-on has withheld certain amounts (totaling $107.8 million as of July 3, 2010, and $81.5 million at January 2, 2010) from payments made to CIT relating to ongoing business activities. On January 29, 2010, CIT filed its response denying Snap-on's claim and asserting certain claims against Snap-on for other matters relating to the joint venture. CIT's claims allege damages in excess of $110 million, the majority of which relates to returning the amounts withheld by Snap-on. At this early stage, no determination can be made as to the likely outcome of this dispute. See Note 14 to the Condensed Consolidated Financial Statements.

Long-term debt of $909.8 million at July 3, 2010, included (i) $200 million of unsecured 6.25% notes that mature in August 2011; (ii) $100 million of unsecured 5.85% notes that mature in 2014; (iii) $150 million of unsecured 5.50% notes that mature in 2017; (iv) $200 million of unsecured 6.70% notes that mature in 2019; (v) $250 million of unsecured 6.125% notes that mature in 2021; and (vi) $9.8 million of other long-term debt.

Snap-on has a five-year, $500 million multi-currency revolving credit facility that terminates on August 10, 2012; at July 3, 2010, no amounts were outstanding under this revolving credit facility. The $500 million revolving credit facility's financial covenant requires that Snap-on maintain, as of each fiscal quarter end, either (i) a ratio of total debt to the sum of total debt plus shareholders' equity of not greater than 0.60 to 1.00; or (ii) a ratio of total debt to the sum of net income plus interest expense, income taxes, depreciation, amortization and other non-cash or extraordinary charges for the preceding four fiscal quarters then ended of not greater than 3.50 to 1.00. At July 3, 2010, the company's actual ratios of 0.43 and 2.66, respectively, were both within the permitted ranges set forth in this financial covenant.

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

Snap-on also had $20 million of unused available debt capacity under its committed bank lines of credit as of July 3, 2010, which consisted of two $10 million lines of credit that expire on August 29, 2010, and July 26, 2011, respectively. As of the filing date of this Form 10-Q, Snap-on plans to renew the August 29, 2010 bank line of credit in the third quarter of 2010.

In addition to the financial covenant required by the $500 million multi-currency revolving credit facility discussed above, Snap-on's debt agreements and credit facilities also contain certain usual and customary borrowing, affirmative, negative and maintenance covenants. At July 3, 2010, Snap-on was in compliance with all covenants of its debt agreements and credit facilities.

Snap-on believes that it has sufficient available cash and committed and uncommitted lines of credit and liquidity facilities to cover its expected funding needs on both a short-term and long-term basis. Snap-on manages its aggregate short-term borrowings so as not to exceed its availability under its revolving credit facilities and committed lines of credit. If the need were to arise, Snap-on believes that it could access short-term debt markets, predominantly through commercial paper issuances and existing lines of credit, to fund its short-term requirements and to ensure near-term liquidity. Snap-on regularly monitors the credit and financial markets and, in the future, may take advantage of what it believes are favorable market conditions to issue long-term debt to further improve its liquidity and capital resources. Near-term liquidity requirements for Snap-on include the funding of new loans originated by SOC, the possible resolution of the related dispute with CIT, capital expenditures and restructuring activities, payments of dividends and interest, and funding for share repurchases, if any. Snap-on also expects to make contributions of $9.0 million to its foreign pension plans and $1.5 million to its domestic pension plans in 2010. Snap-on funds its pension plans as required by governmental regulation. Depending on market and other conditions, Snap-on may elect to make discretionary cash contributions to its domestic pension plans in 2010, and future pension contributions could increase.

Snap-on's long-term financing strategy is to maintain continuous access to the debt markets to accommodate its liquidity needs, including the potential use of commercial paper, securitizations and/or additional fixed-term debt.

For full year 2010, Snap-on estimates the incremental cash requirements for SOC will approximate $300 million. Snap-on believes, based on current market conditions, that it has adequate financial resources to provide for the financing needs of SOC including available cash on hand, and cash flow provided from operating activities and available credit facilities, including access to public debt markets.

The following discussion focuses on information included in the accompanying Condensed Consolidated Statements of Cash Flow.

Operating Activities

Net cash provided by operating activities was $65.9 million in the first six months of 2010 and $170.3 million in the first six months of 2009. The $104.4 million year-over-year decrease in net cash provided by operating activities in 2010 was primarily due to higher levels of working capital required to support the increased sales volumes. As of July 3, 2010, and January 2, 2010, "Other accrued liabilities" on the accompanying Condensed Consolidated Balance Sheets included $107.8 million and $81.5 million, respectively, of amounts withheld from CIT relating to ongoing business activities. The $26.3 million increase in other accrued liabilities relating to CIT included $20.6 million associated with refinancings that are not included in net cash provided by operating activities. See Note 14 to the Condensed Consolidated Financial Statements for further information.

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

Following the July 16, 2009 acquisition of CIT's ownership interest in SOC, Snap-on began presenting "Provisions for losses on finance receivables" on the Condensed Consolidated Statements of Cash Flow as part of "Net cash provided by operating activities." The non-cash provision for loan losses on finance receivables totaled $8.0 million in the first six months of 2010. For financial statement periods ending prior to July 16, 2009, the provisions for loan losses on finance receivables, which primarily related to the company's international finance subsidiaries, were included in "(Increase) decrease in contract receivables;" prior period amounts were not restated as the amounts were not significant, individually or in the aggregate, to Snap-on's Condensed Consolidated Statements of Cash Flow.

Investing Activities

Following the July 16, 2009 acquisition of CIT's ownership interest in SOC, Snap-on began presenting "Additions to finance receivables" and "Collections of finance receivables" on the Condensed Consolidated Statements of Cash Flow as part of "Net cash used by investing activities." Finance receivables are comprised of extended-term installment loans to technicians (i.e. franchisees' customers) to enable them to purchase tools, diagnostics and equipment on an extended-term payment plan, generally with average payment terms of 32 months. In the first six months of 2010, additions to finance receivables totaled $246.3 million and collections of finance receivables totaled $108.3 million. For financial statement periods ending prior to July 16, 2009, the net additions and collections of finance receivables, which primarily related to the company's international finance subsidiaries, were included in "(Increase) decrease in contract receivables;" prior period amounts were not restated as the amounts were not significant, individually or in the aggregate, to Snap-on's Condensed Consolidated Statements of Cash Flow.

Capital expenditures of $12.3 million in the first six months of 2010 compared to $33.6 million in the first six months of 2009. The higher level of capital expenditures in the first six months of 2009 included spending to support the construction of a new headquarters and research and development facility for the company's automotive parts and service information business. Snap-on anticipates full-year 2010 capital expenditures to be approximately $50 million.

On April 6, 2010, Snap-on acquired the remaining 40% interest in Wanda Snap-on, the company's tool manufacturing operation in Xiaoshan, China, for a purchase price of $7.7 million and $0.1 million of transaction costs. Snap-on acquired a 60% interest in Wanda Snap-on for a cash purchase price of $15.4 million (or $14.1 million, net of cash acquired), including $1.2 million of transaction costs, on March 5, 2008. The acquisition of Wanda Snap-on is part of the company's ongoing strategic initiatives to further expand its manufacturing presence in emerging growth markets and lower-cost regions. On July 1, 2010, Wanda Snap-on was officially renamed Snap-on Asia Manufacturing (Zhejiang) Co. Ltd. ("Xiaoshan").

Financing Activities

On January 12, 2010, Snap-on repaid $150 million of floating rate debt upon its maturity with available cash.

On February 24, 2009, Snap-on sold $300 million of unsecured fixed rate notes consisting of $100 million of unsecured 5.85% notes that mature in 2014, and $200 million of unsecured 6.70% notes that mature in 2019; interest on these notes is being paid semi-annually beginning on September 1, 2009. Snap-on is using the $297.7 million of net proceeds from the sale of these notes for general corporate purposes, including the January 2010 repayment of $150 million of floating rate debt discussed above.

Snap-on has undertaken stock repurchases from time to time to offset dilution created by shares issued for employee and franchisee stock purchase plans, stock options and other corporate purposes. As of July 3, 2010, Snap-on had remaining availability to repurchase up to an additional $143.4 million in common stock pursuant to Board authorizations; Snap-on did not repurchase any shares of common stock during the first six months of 2010 or 2009. The purchase of Snap-on common stock is at the company's discretion, subject to prevailing financial and market conditions. Snap-on believes that its cash generated from operations, available cash on hand, and funds available from its credit facilities will be sufficient to fund the company's share repurchases, if any, in 2010.

Snap-on has paid consecutive quarterly cash dividends, without interruption or reduction, since 1939. Cash dividends totaled $35.0 million in the first six months of 2010 and $34.4 million in the first six months of 2009. Snap-on believes that its cash generated from operations, available cash on hand, and funds available from its credit facilities, will be sufficient to pay dividends in 2010.

Off-Balance Sheet Arrangements

The company had no off-balance sheet arrangements as of July 3, 2010.

Critical Accounting Policies and Estimates

Snap-on's disclosures of its critical accounting policies, which are contained in its Annual Report on Form 10-K for the year ended January 2, 2010, have not materially changed since that report was filed.

Outlook

Snap-on incurred $6.3 million of restructuring costs in the first six months of 2010, including $3.1 million in the second quarter, and presently expects that full-year 2010 restructuring costs will approximate $15 million. Snap-on also anticipates continuing with its planned strategic investments, including expansion in emerging growth markets. The company currently anticipates capital expenditures in full-year 2010 to be approximately $50 million, of which $12.3 million was incurred in the first six months of 2010. Snap-on presently expects to incur approximately $16 million of higher year-over-year pension expense in 2010. As a result of the favorable settlement of certain tax audits, the effective income tax rate for full-year 2010 is now expected to approximate 33.7%. Snap-on is encouraged by its financial results for the second quarter and first half of 2010 as well as with trends in certain markets and businesses; however, ongoing challenges remain in the current global economy. As a result, the company intends to continue its efforts of striking a balance between investing in and capturing growth opportunities with the need for cost reduction actions beyond those already implemented.

Item 3: Quantitative and Qualitative Disclosures About Market Risk

Market, Credit and Economic Risks

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, interest rate swap agreements and treasury lock 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 and is subject to certain risks inherent with foreign operations that include currency fluctuations and restrictions on movement of funds. 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 to protect the residual net exposures. See Note 9 to the Condensed Consolidated Financial Statements for information on foreign currency risk management.

Interest Rate Risk Management: Snap-on aims to control funding costs by managing the exposure created by the differing maturities and interest rate structures of Snap-on's assets and liabilities through the use of interest rate swap agreements. See Note 9 to the Condensed Consolidated Financial Statements for information on interest rate risk management.

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 July 3, 2010, was $3.3 million on interest rate-sensitive financial instruments and $0.7 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 evaluated through an asset quality review process that closely monitors past due accounts and initiates collection actions when appropriate. In addition to its direct credit risk exposure, Snap-on also has credit risk exposure for certain SOC-originated contracts with recourse provisions related to franchisee van loans sold by SOC; at July 3, 2010, $16.1 million of franchisee van loans contain a recourse provision to Snap-on if the loans become more than 90 days past due.

Counterparty Risk: Snap-on is exposed to credit losses in the event of non-performance by the counterparties to various financial agreements, including its foreign exchange, interest rate swap and treasury lock agreements. Snap-on does not obtain collateral or other security to support financial instruments subject to credit risk, but monitors the credit standing of the counterparties and enters into agreements only with financial institution counterparties with a credit rating of A- or better. Snap-on does not anticipate non-performance by its counterparties, but cannot provide assurances.

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.

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

Evaluation of Disclosure Controls and Procedures

Snap-on maintains a system of disclosure controls and procedures that is designed to provide reasonable assurance that material information relating to the company and its consolidated subsidiaries is timely communicated to the officers who certify Snap-on’s financial reports and to other members of senior management and the Board, as appropriate.

In accordance with Rule 13a-15(b) of the Securities Exchange Act of 1934 (the “Exchange Act”), the company’s management evaluated, with the participation of the Chief Executive Officer and Chief Financial Officer, the effectiveness of the design and operation of the company’s disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of July 3, 2010. Based upon their evaluation of these disclosure controls and procedures, the Chief Executive Officer and Chief Financial Officer concluded that the disclosure controls and procedures were effective as of July 3, 2010, to ensure that information required to be disclosed by the company in the reports it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time period specified in the Securities and Exchange Commission rules and forms, and to ensure that information required to be disclosed by the company in the reports it files or submits under the Exchange Act is accumulated and communicated to the company’s management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control

There has not been any change in the company’s internal control over financial reporting during the quarter ended July 3, 2010, that has materially affected, or is reasonably likely to materially affect, the company’s internal control over financial reporting (as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f)).

PART II. OTHER INFORMATION

Item 1: Legal Proceedings

There have been no material developments relating to the dispute with CIT discussed in Part I, Item 3 to the company's annual report on Form 10-K for the fiscal year ended January 2, 2010, since the filing of that report.

Item 2: Unregistered Sales of Equity Securities and Use of Proceeds

Snap-on has undertaken stock repurchases from time to time to offset dilution created by shares issued for employee and franchisee stock purchase plans, stock options and other corporate purposes. The company also repurchases shares when it believes market conditions are favorable. The repurchase of Snap-on common stock is at the company’s discretion, subject to prevailing financial and market conditions. As of July 3, 2010, the approximate value of shares that may yet be purchased pursuant to three outstanding Board authorizations is $143.4 million. Snap-on did not make any repurchases of shares of its common stock during the second quarter of fiscal 2010.

The three outstanding Board authorizations are described below:

- In fiscal 1996, the Board authorized the company to repurchase shares of the company’s common stock from time to time in the open market or in privately negotiated transactions (“the 1996 Authorization”). The 1996 Authorization allows the repurchase of up to the number of shares issued or delivered from treasury from time to time under the various plans the company has in place that call for the issuance of the company’s common stock. Because the number of shares that are purchased pursuant to the 1996 Authorization will change from time to time as (i) the company issues shares under its various plans; and (ii) shares are repurchased pursuant to this authorization, the number of shares authorized to be repurchased will vary from time to time. The 1996 Authorization will expire when terminated by the Board. When calculating the approximate value of shares that the company may yet purchase under the 1996 Authorization, the company assumed a price of $48.18, $44.20 and $40.36 per share of common stock as of the end of the fiscal 2010 months ended May 1, 2010, May 29, 2010, and July 3, 2010, respectively.

- In fiscal 1998 the Board authorized the repurchase of an aggregate of $100 million of the company’s common stock (the “1998 Authorization”). The 1998 Authorization will expire when the aggregate repurchase price limit is met, unless terminated earlier by the company’s Board.

- In fiscal 1999 the Board authorized the repurchase of an aggregate of $50 million of the company’s common stock (the “1999 Authorization”). The 1999 Authorization will expire when the aggregate repurchase price limit is met, unless terminated earlier by the company’s Board.

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Item 6: Exhibits

Exhibit 10.1	Snap-on Incorporated Deferred Compensation Plan (as amended through June 11, 2010).*
Exhibit 10.2	Snap-on Incorporated Supplemental Retirement Plan for Officers (as amended through June 11, 2010).*
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.
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.
Exhibit 101.INS	XBRL Instance Document**
Exhibit 101.SCH	XBRL Taxonomy Extension Schema Document**
Exhibit 101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document**
Exhibit 101.DEF	XBRL Taxonomy Extension Definition Linkbase Document**
Exhibit 101.LAB	XBRL Taxonomy Extension Label Linkbase Document**
Exhibit 101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document**

* Includes non-material changes finalized in June 2010.

** Attached as Exhibit 101 to this report are the following documents formatted in XBRL (Extensible Business Reporting Language): (i) Condensed Consolidated Statements of Earnings for the three and six months ended July 3, 2010, and July 4, 2009; (ii) Condensed Consolidated Balance Sheets at July 3, 2010, and January 2, 2010; (iii) Condensed Consolidated Statements of Shareholders' Equity for the six months ended July 3, 2010, and July 4, 2009; (iv) Condensed Consolidated Statements of Comprehensive Income for the three and six months ended July 3, 2010, and July 4, 2009; (v) Condensed Consolidated Statements of Cash Flow for the six months ended July 3, 2010, and July 4, 2009; and (vi) Notes to Condensed Consolidated Financial Statements. Users of this data are advised pursuant to Rule 406T of Regulation S-T that this interactive data file is deemed "furnished" and not "filed" or part of a registration statement or prospectus for purposes of sections 11 or 12 of the Securities Act of 1933, is deemed "furnished" and not "filed" for purposes of section 18 of the Securities and Exchange Act of 1934, and otherwise is not subject to liability under these sections.

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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 thereunto duly authorized.

SNAP-ON INCORPORATED

Date: July 28, 2010

/s/ Aldo J. Pagliari

Aldo J. Pagliari, Principal Financial Officer,
Senior Vice President – Finance and
Chief Financial Officer

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Exhibit 10.1

SNAP-ON INCORPORATED
DEFERRED COMPENSATION PLAN

(as amended through June 11, 2010)

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 as of January 1, 2009.

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. 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.

The Plan is intended to comply with Section 409A of the Internal Revenue Code (the "Code") with respect to the Non-Grandfathered Benefits. For purposes of Code Section 409A, the benefit under the Plan is divided into a Grandfathered Benefits and Non-Grandfathered Benefits. The provisions of this Plan, with respect to the Grandfathered Benefits, are the provisions of the Plan in effect on October 3, 2004 and notwithstanding any other provision in the Plan, no material modifications shall be made in the provisions applicable to such benefit. Effective January 1, 2009, the Non-Grandfathered Benefits shall be subject to the provisions of this Plan. For the period from January 1, 2005 through December 31, 2008 the Non-Grandfathered Benefits shall be subject to a good faith interpretation of Code Section 409A which shall permit any action which is (i) permitted under the transitional rules contained in Treasury Regulations and other guidance issued pursuant to Code Section 409A, or (ii) is otherwise consistent with a reasonable good faith interpretation of Code Section 409A. Each provision and term of the amended Plan should be interpreted accordingly, but if any provision or term of such amended Plan would be prohibited by or be inconsistent with Code Section 409A or would constitute a material modification to the Plan with respect to Grandfathered Benefits, then such provision or term shall be deemed to be reformed to comply with Code Section 409A or be ineffective to the extent it results in a material modification to the Plan with respect to benefits earned and vested as of December 31, 2004.

Section 2. Definitions

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

(a) "Beneficial Owner" shall have the meaning set forth in Section 17.1.

(b) “Board” means the Board of Directors of the Corporation.

(c) “Cause” means that prior to a Participant’s Separation from Service, 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.

(d) “Change of Control” shall have the meaning set forth in Section 17.1.

(e) “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.

(f) “Common Stock” means the common stock, par value $1.00 per share, of the Corporation.

(g) “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” 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.

(h) “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.

(i) “Corporation” means Snap-on Incorporated, a Delaware corporation.

(j) “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 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.

(k) “Grandfathered Benefits” means the portion of the compensation deferred and vested under the Plan as of December 31, 2004.

(l) “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)).

(m) “Non-Grandfathered Benefits” means the portion of the compensation deferred and vested under the Plan after December 31, 2004.

(n) “Participant” means an individual eligible to participate in the Plan pursuant to Section 3.1.

(o) “Person” shall have the meaning set forth in Section 17.1.

(p) “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 or (2) a Participant retires or is retired from the employ of the Corporation and its subsidiaries because of Total and Permanent Disability; or (3) with respect to Grandfathered Benefits only, 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.

(q) “Separation from Service” means a Participant’s termination of all employment with Snap-on Incorporated and any subsidiary employer for any reason (including death or Total and Permanent Disability determined as provided in Subsection 2.3(c)), or, with respect to a Participant’s Non-Grandfathered Benefits, a reduction in the level of bona fide services by the Participant to no more than 20 percent of the average level of bona fide services performed over the immediately preceding 36 month period, other than while the individual is on sick leave, military leave, or other bona fide leave of absence (such as temporary employment by the government) if the period of such leaves does not exceed twelve (12) months or, if longer, so long as the individual’s right to reemployment with Snap-on Incorporated or any subsidiary employer is provided either by statute or contract. If the period of leaves exceeds twelve (12) months and the individual’s right to reemployment is not provided either by statute or by contract, the employment relationship is deemed to terminate on the first day immediately following such twelve-month period.

(r) “Specified Employee” means Participants in the group that consists of (i) those employees of (i) those employees of the Company and its subsidiaries (including non-resident alien employees) constituting the fifty most highly compensated officers of the Company and its subsidiaries (within the meaning of Code Section 416(i)(1)(A)(i)), plus (ii) those additional officers of the Company and its subsidiaries who would be included in the group of 50 officers described in clause (i) above if in making the determination under clause (i) non-resident alien employees were not taken into account.

(s) “Total and Permanent Disability” means that the Participant is incapable of engaging in any substantial gainful occupation by reason of any medically determinable physical or mental impairment which can be expected either (i) to result in death, or (ii) to last for a continuous period of not less than twelve (12) months. The determination of “Total and Permanent Disability” shall be made by the Committee in its sole discretion.

(t) “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.

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 and/or Incentive Compensation.

(i) 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. The deferral election must be made before the last business day of the Year immediately preceding the Year for which such deferral election applies. The deferral election will remain in effect for subsequent Years unless changed prior to any subsequent Year.

(ii) 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. The deferral election must be made at least six months prior to the last business day of such Year.

(b) Except as prohibited by Code Section 409A and regulations thereunder, 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 at least six months prior to 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, if such election is made at least six months prior to the last business day of the last Year in the performance period with respect to which such award of Other Compensation is calculated.

(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)); or (2) credited to the Participant's Share Account. Each written direction shall become effective immediately upon receipt by the Corporation for Compensation otherwise payable after such date subject to rules that the Committee establishes pursuant to Section 11.1. 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 Salary or Incentive Compensation that the Participant would have otherwise received in a given Year, the Participant irrevocably shall select a single deferral period for all Salary or Incentive 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.

(b) Notwithstanding the deferral period specified pursuant to subsection (a) and except as otherwise provided by subsection (c), payments of Year Deferred Amounts shall begin following the earliest to occur of:

(i) Death;

(ii) Subject to subsection (d), Separation from Service due to Retirement or Total and Permanent Disability; or

(iii) Subject to subsection (e), Separation from Service due to reasons other than Retirement.

(c) In the case of a Participant who has a Separation from Service and who is a Specified Employee on the date of the Separation from Service, payments of Year Deferred Amounts that are Non-Grandfathered Benefits will not begin prior to the date that is six (6) months following the date of the Separation from Service, and payments of Year Deferred Amounts that are Non-Grandfathered Benefits and that would otherwise be paid during the six (6) month delay in payment will be accumulated and paid in a lump sum on the first day an amount may be paid under this subsection.

(d) A Participant may elect to have the deferral period for Year Deferred Amounts continue beyond Separation from Service due to Retirement or, with respect to Non-Grandfathered Benefits only, Total and Permanent Disability by so indicating when the Participant selects, or modifies pursuant to Section 4.4, the Participant's deferral period for the Year Deferred Amounts. At such time, the Participant may elect one or more successive post-Separation from Service deferral periods of up to one year (1) Year each, but in no event may the aggregate of these successive post-Separation from Service deferral periods and any annual installments elected pursuant to Section 4.3 exceed twenty-five (25) years beyond the Participant's Separation from Service. Except as provided in subsection (e) with respect to certain Grandfathered Benefits, if a Participant's Separation from Service is due to any reason other than Retirement or Total and Permanent Disability, all Year Deferred Amounts remaining shall be paid in a lump-sum distribution pursuant to Section 7.1.

(e) A Participant may elect to have the deferral period for Year Deferred Amounts that are Grandfathered Benefits continue beyond Separation from Service with the Corporation, but only if such Separation from Service was 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 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-Separation from Service deferral periods and any annual installments elected pursuant to Section 4.3 exceed twenty-five (25) years beyond Separation from Service 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 (subject to lump sum payment as provided in Section 7.2); provided, however, that with respect to Grandfathered Benefits, 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 that are Grandfathered Benefits in a lump sum.

4.4 Modification. A Participant may change the manner in which Year Deferred Amounts that are Grandfathered Benefits 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 only modify elections for Year Deferred Amounts that are Non-Grandfathered Benefits if such modification (a) is made more than twelve (12) months prior to January 1 of the Year in which such payments were to commence, (b) does not take effect for twelve (12) months from the date of the modification and (c) provides for an additional deferral period of at least five (5) Years. 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 to the Participant's Cash Account. 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.

(b) However, notwithstanding the deferral period specified and except as otherwise provided by Section 4.2(c), payments of matching credits shall begin following the earliest to occur of:

(i) Death;

(ii) Subject to Section 4.2(d), Separation from Service due to Retirement or Total and Permanent Disability; or

(iii) Subject to Section 4.2(e), Separation from Service due to reasons other than Retirement.

5.4 Manner of Payment Election. A Participant's elected manner of payment for Year Deferred Amounts under Section 4.2 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.

<u>Section 6.</u> <u>Accounts</u>

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" and a "Share 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.

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 reasonable interest rate to apply to such amounts, and may tie such amount to the performance of a particular fund, such as a money market fund for purposes of crediting hypothetical gains or losses to the Participant's Cash Account. 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 reasonable interest rate selected by the Committee.

6.3 Changing Accounts.

(a) Subject to applicable corporate policies and Section 6.3(c), 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 and Section 6.3(c), 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.

(c) 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) or (b) 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) or (b) 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 to a Participant's Cash Account an amount per share equal to the cash dividend on the Common Stock multiplied by the number of Share Units credited to the Participant's Share Account, if any, 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 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 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.

6.7 Fully Vested Accounts. Except as provided in Section 6.8, Participants shall be fully vested in all Accounts at all times.

6.8 Vesting Schedule.

A Participant shall become fully vested in his or her Restoration Match Account over time, pursuant to the following vesting schedule:

Years of Service	**Vested Percentage**
Less than 1	0%
1 but less than 2	25%
2 but less than 3	50%
3 but less than 4	75%
4 or more	100%

6.9 Accelerated Vesting of Company Stock Match Account. Notwithstanding the vesting schedule set forth in Section 6.8, upon (i) a Participant's attaining his Retirement Date, Total and Permanent Disability, or death; (ii) the complete discontinuance of the Employer's contributions to the Plan; or (iii) any full or partial termination of the Plan, all amounts credited to the Restoration Match Account of any affected Participant shall become 100% vested and shall not thereafter be subject to forfeiture as described in Section 7.1(c).

Section 7. Payment of Deferred Amounts

7.1 Payment of Deferred and Matching Amounts.

(a) Payment of the vested portion 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 the vested portion 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) Any amounts in a Participant's Cash Account or a Participant's Share Account that are not vested at the time of the Participant's Separation from Service shall be forfeited.

7.2 Automatic Change to Lump Sum Payments. If a Participant dies prior to the payment of all or a portion of his Cash Account and/or Share Account balances, the balance of any amounts payable shall be paid in a lump sum to the beneficiaries designated under Section 8. Subject to the restrictions contained in Section 4.2(c), if the value of the portion of a Participant's Cash Account and Share Account that is comprised of Non-Grandfathered Benefits is less than or equal to the dollar limit set forth under Code Section 402(g) ($15,500 for 2008) on the date of the Participant's Separation from Service, the balance of any amounts payable shall be paid in a lump sum to the Participant within thirty (30) days of the commencement date referred to in Section 4.2.

7.3 Financial Emergency. The Committee, in its sole discretion, may alter the timing or manner of payment of Year Deferred Amounts that are Grandfathered Benefits 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.

The timing or manner of payment for Non-Grandfathered Benefits may not be modified pursuant to this Section 7.3.

7.4 Payment Pursuant to a Qualified Domestic Relations Order. Notwithstanding any provision of this Plan to the contrary, a domestic relations order, as defined in Code Section 414(p)(1)(B), may provide that a Participant's rights with respect to all or a part of the Participant's Account are transferred to an alternate payee. Such domestic relations order may provide that payments to the alternate payee will be accelerated and that such payments will be paid in a different form than the form elected by the Participant, so long as the form is permitted by the Plan.

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 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.

Further notwithstanding the foregoing, in the event the Plan is terminated and Section 409A of the Internal Revenue Code permits distributions upon termination, a Participant’s entire benefit, if any, shall be distributed in a lump-sum to the Participant as soon as practicable following the date of such termination. In the event the Plan is terminated and Section 409A of the Internal Revenue Code does not permit distributions upon termination, a Participant’s entire benefit, if any, shall be paid at such time and in such form as provided for under Section 5 of the Plan.

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.

(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 (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 shall be made immediately in cash in a lump sum; and

(b) all Share Units credited to a Participant's Share Account 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 attributable to Grandfathered Benefits shall be paid immediately in cash in a lump sum; and

(b) A Participant’s Share Account balance attributable to Grandfathered Benefits shall be paid 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

(c) 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 attributable to Grandfathered Benefits 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.

(d) All account balances attributable to Non-Grandfathered Benefits shall be distributed pursuant to Section 7 and payment of such amounts shall not be impacted by a Rating Event.

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

Exhibit 10.2

SNAP-ON INCORPORATED
SUPPLEMENTAL RETIREMENT PLAN FOR OFFICERS

(as amended through June 11, 2010)

SECTION 1 — INTRODUCTION

1.1 SNAP-ON INCORPORATED SUPPLEMENTAL RETIREMENT PLAN FOR OFFICERS (the "Plan") was originally established by Snap-on Incorporated for the benefit of eligible employees of that corporation and its subsidiaries that adopted the Plan with that corporation's consent (1/28/94, effective 4/22/94). The Plan is intended to constitute an unfunded "excess benefit plan" as defined in Section 3(36) of the Employee Retirement Income Security Act of 1974 ("ERISA") and an unfunded Plan maintained primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees as defined in Section 201(2) of ERISA (6/28/91) and is intended to comply with the requirements of section 409A of the Internal Revenue Code of 1986, as amended (the "Code") and the guidance and regulations issued under it. Benefits payable from the Plan will be paid solely from the general assets of the Corporation or other employers under the Plan.

1.2 Effective Date. The "effective date" of the Plan as originally set forth was August 26, 1983, an amended version was effective January 1, 2001, except that the provisions relating to Elections were effective December 31, 2000, and the amended version set forth below is effective January 1, 2009 (except as specifically provided otherwise below).

1.3 Employers. The term "Corporation" means Snap-on Tools Corporation until such date that name "Snap-on Tools Corporation" is changed to "Snap-on Incorporated" by shareholder approval, and on such date "Corporation" shall mean Snap-on Incorporated or any successor thereto. The Corporation and any subsidiary of the Corporation which adopts the Plan with the consent of the Corporation is referred to herein individually as an "employer" and collectively as the "employers" (1/28/94, effective 4/22/94).

1.4 Purpose. The Plan has been established to supplement retirement benefits provided by the Snap-on Incorporated Retirement Plan ("SIRP") in the event that benefits provided under the SIRP are limited by the benefit restrictions imposed under the Code and/or limited due to participation in the Snap-on Incorporated Deferred Compensation Plan. Notwithstanding any provisions hereof to the contrary but subject to the requirements of Code Section 409A, the Corporation intends that the Supplemental Benefits of each Participant who was an active employee on October 26, 2001 shall be determined in a manner consistent with the materials provided to each such Participant in connection with his Retirement Program Choice Election Form and subject to the understandings, information, representations, and acknowledgements to which each such Participant certified on such Form, and the Corporation is authorized, in its sole discretion, to interpret, to construe, and to recommend to the Board of Directors the amendment of, any of the terms of the Plan, and to supply any omissions, for the purpose of carrying out its intentions and, without limitation, to insure that there are no unintended enhancements of the Supplemental Benefits provided hereunder.

The Plan is intended to comply with Code Section 409A with respect to the Non-Grandfathered Benefits. For purposes of Code Section 409A, the benefit under the Plan is divided into a Grandfathered Benefit and a Non-Grandfathered Benefit. The provisions of this Plan, with respect to the Grandfathered Benefit, are the provisions of the Plan in effect on October 3, 2004 and notwithstanding any other provision in the Plan, no material modifications shall be made in the provisions applicable to such benefit. Effective January 1, 2009, the Non-Grandfathered Benefit shall be subject to the provisions of this Plan. For the period from January 1, 2005 through December 31, 2008 the Non-Grandfathered Benefit shall be subject to a good faith interpretation of Code Section 409A which shall permit any action which is (i) permitted under the transitional rules contained in Treasury Regulations and other guidance issued pursuant to Code Section 409A, or (ii) is otherwise consistent with a reasonable good faith interpretation of Code Section 409A. Each provision and term of the amended Plan should be interpreted accordingly, but if any provision or term of such amended Plan would be prohibited by or be inconsistent with Code Section 409A or would constitute a material modification to the Plan with respect to Grandfathered Benefits, then such provision or term shall be deemed to be reformed to comply with Code Section 409A or be ineffective to the extent it results in a material modification to the Plan with respect to a Grandfathered Benefit.

1.5 Additional Definitions. The following are definitions of terms and provisions not found elsewhere in the Plan, and certain other terms and provisions are defined where they first appear:

1.5.1 "Account-Based Participant" shall mean, collectively, each employee who becomes a Participant on or after January 1, 2001 who is a Qualified Account-Based Participant, and each Participant who selected Option 2 or Option 4 on his Retirement Selection Form.

1.5.2 "Actuarial Equivalent" shall mean (i) with respect to the Grandfathered Benefit a form of benefit differing in time period, or manner of payment, from the Normal Form of benefit provided under the Plan, but where the actuarial reserve required to provide such form of benefit is equal to the actuarial reserve required to provide the Normal Form of Supplemental Benefit and will be based on the interest assumptions and the mortality factors set forth in Section 6.12(a) of Article III of the SIRP; provided, however, that, solely in the case of a Final-Average Participant, in converting his Normal Form to a different Available Payment Form, the Plan shall use (i) the mortality table set forth in Section 6.12(b)(ii) of Article III of the SIRP, and (ii) an interest rate equal to the greater of (x) the interest rate which would be used as set forth in Section 6.12(b)(i) of Article III of the SIRP, or (y) the FAS 87 interest rate at the time, reduced by 1.5%; and provided, finally, that, notwithstanding the foregoing, for all purposes of Section 8 of the Plan, it shall have the meaning set forth in Subsection 8.4.

(ii) with respect to the Non-Grandfathered Benefit, a form of benefit differing in time period, or manner of payment, from the Normal Form of benefit provided under the Plan, but where the actuarial reserve required to provide such form of benefit is equal to the actuarial reserve required to provide the Normal Form of Supplemental Benefit and will be based on the interest assumptions and the mortality factors set forth in Section 6.12(a) of Article III of the SIRP; provided, however, that solely in the case of a Final Average Participant, in converting his Normal Form to a different Available Payment Form, the Plan shall use: (i) the "applicable mortality table" prescribed by Section 417(e)(3)(B) of the Code; and (ii) an interest rate for any calendar year equal to the adjusted first, second and third segment rates applied under the rules of Code Section 430(h)(2)(C) (except that such first, second and third segment rates shall be determined under Code Section 430(h)(2)(C) as if Section 430(h)(2)(D) was applied substituting the average yield for the month of November preceding the calendar year for the average yields for the 24 month period described in such Section, and Section 430(h)(2)(G)(i)(II) were applied by substituting Section 417(e)(3)(D) for Section 412(b)(5)(B)(ii)(II)).

1.5.3 "Adjusted Benefits" shall mean the benefits payable to a Participant under the SIRP expressed in a form, and subject to the adjustments, which the Corporation determines are required to enable the Corporation to calculate the Supplemental Benefits hereunder while continuing to satisfy the applicable requirements of Code Section 409A with respect to the Non-Grandfathered Benefit.

1.5.4 "Annuity Payments" shall mean (i) in the case of a Final-Average Participant, payment of his Supplemental Benefits in the manner provided in Subsection 2.3(a), and (ii) in the case of an Account-Based Participant, payment of his Supplemental Benefits monthly, on the first of each calendar month (effective 1/1/07), for his lifetime with a guarantee of total payments equal to the Lump Sum amount of such Participant's original Supplemental Benefit.

1.5.5 "Available Payment Form" shall mean payment (i) in a Lump Sum, (ii) in 120, 180 or 240 Installment Payments, or (iii) in Annuity Payments, each as further described in the "Supplemental Pension Election Form" furnished to each Participant on or before December 31, 2001 or later, and in its successor form or forms. For purposes of applying only the subsequent election rules of Code Section 409A to the Non-Grandfathered Benefit, Installment Payments will be treated as a series of separate payments.

1.5.6 "Elect", "Election" and similar terms shall mean the timely filing of a complete and timely executed Election Form with the Corporation, in which a Participant Elects to have his Supplemental Benefits paid in an Available Payment Form. With respect to the Grandfathered Benefit, only the last Election Form filed on or before such Participant's Final Election Date shall be such Participant's Election. For purposes of this Subsection, a "timely filing" of an *initial*, executed, otherwise valid Election Form with respect to a Non-Grandfathered Benefit shall mean a filing with the Corporation on or before the last day of 2008 (for any Employee who is a Participant during 2008) or in the case of a newly eligible employee who first joins the Plan mid-year, within thirty (30) days after the individual became eligible to participate, and a "timely filing" of a *subsequent*, executed, otherwise valid Election Form with respect to a Non-Grandfathered Benefit shall mean a filing with the Corporation (i) made at least twelve (12) months before payment under the newly elected Alternative Payment Form is scheduled to begin (or paid, as appropriate), (ii) which is not effective for at least twelve (12) months after the date the subsequent Election Form was executed, and (iii) which defers payment at least five (5) years after the date payments under the prior, changed Available Payment Form would have started (or been paid, as appropriate). Only the last Election Form timely filed shall be such Participant's Election and shall be irrevocable (subject to change only as provided in the Plan). In the absence of a valid Election (as determined by the Corporation in its sole discretion), a Participant's Supplemental Benefits will be paid in the Normal Form. An election to change the form of payment with respect to a Non-Grandfathered Benefit from one form of Annuity Payment to another permitted, actuarially equivalent form of Annuity Payment will not be treated as made by a subsequent Election for purposes of determining whether the Election Form containing the election was timely filed.

1.5.7 "Election Form" shall mean a written form, prepared and distributed by the Corporation, on which the Participant may select the Available Payment Form in which his Supplemental Benefits will be distributed and such other matters as shall be determined by the Corporation. Separate Election Forms shall be applicable to Grandfathered Benefits and Non-Grandfathered Benefits.

1.5.8 "Final-Average Participant" shall mean, collectively, each employee who becomes a Participant on or after January 1, 2001 who is a Qualified Final-Average Participant, each Participant who selected Option 1 or Option 3 on his Retirement Selection Form, and each Participant on October 26, 2001 who was not an employee of Snap-on Incorporated or any subsidiary employer on that date.

1.5.9 "Final Election Date" with respect to an initial selection of the Available Payment Form applicable to the Grandfathered Benefit shall mean the last day of the calendar year preceding the calendar year in which a Participant Separates, provided; however, that notwithstanding the foregoing, each Participant, whose Final Election Date would otherwise be December 31, 2000, may Elect, on an Election Form filed on or before December 31, 2000, to postpone his Final Election Date until any date after December 31, 2001.

1.5.10 "Grandfathered Benefit". The Grandfathered Benefit is the vested portion of the compensation deferred under the Plan as of December 31, 2004. The compensation deferred under this Plan as of December 31, 2004 for any Final Average Participant is the present value of the amount which the Participant would have been entitled to under the Plan if the Participant: (i) voluntarily terminated services without cause on December 31, 2004; (ii) received a payment of the benefits available from the Plan on the earliest possible date a payment of benefits is allowed under the Plan following the termination of services; and (iii) received the benefits in the form with maximum value. For purposes of determining the Grandfathered Benefit of a Final Average Participant, "present value" shall be determined using the actuarial assumptions that were used by the Plan with respect to such benefit as of December 31, 2004 (an interest rate of 5.12% and the UP 1984 Mortality Table). To the extent that the Grandfathered Benefit of any Final Average Participant exceeds the Adjusted Benefits of such Participant at such Participant's benefit commencement date, the Grandfathered Benefit shall be reduced to the amount of the Adjusted Benefits and the

Participant will have no Non-Grandfathered Benefits. The compensation deferred under this Plan as of December 31, 2004 for any Account Based Participant is the Participant's account balance as of December 31, 2004 (including amounts credited to such account after December 31, 2004 which were earned as of December 31, 2004) and any interest credited to such account balance. The amendments made to the interest credits and pay credits under the SIRP for Account Based Participants in 2008 shall not affect the Grandfathered Benefit of such Account Based Participant. The Grandfathered Benefit for each Participant is identified in Exhibit A attached to this Plan. A separate sub-account shall be established in the records of the Plan to reflect the Grandfathered Benefits of Account Based Participants.

1.5.11 "Installment Payment" shall mean payment of a Participant's Supplemental Benefits in equal payments made on the first day of each calendar month for a fixed period of calendar months.

1.5.12 "Lump Sum" shall mean payment of a Participant's Supplemental Benefits in a single payment.

1.5.13 "Non-Grandfathered Benefit". The Non-Grandfathered Benefit is the portion of the Adjusted Benefits under this Plan, if any, which is not a Grandfathered Benefit.

1.5.14 "Normal Form" shall mean payment of a Participant's Supplemental Benefits (i) in the case of a Final-Average Participant, in an Annuity Payment, and (ii) in the case of an Account-Based Participant, in a Lump Sum.

1.5.15 "Participant" shall mean a Final-Average Participant, and an Account-Based Participant, collectively, except that where it is necessary or appropriate to identify a particular category of Participant, there will be an appropriate specific reference.

1.5.16 "Qualified Account-Based Participant" shall mean each Participant who is participating in the Account-Based component of the SIRP.

1.5.17 "Qualified Final-Average Participant" shall mean each Participant who is participating in the Final Average Pay component of the SIRP.

1.5.18 "Retirement Date" shall mean the date determined in Subsection 2.3(c).

1.5.19 "Retirement Selection Form" shall mean the form entitled "Your Snap-on Retirement Program Choice Election Form" provided to each Participant who became and employee of Snap-on Incorporated or any subsidiary employer prior to January 1, 2001 and continued to be such an employee on October 26, 2001.

1.5.20 "Separates", "Separation", and similar terms shall mean a Participant's termination of all employment with Snap-on Incorporated and any subsidiary employer for any reason (including death or disability determined as provided in Subsection

2.3(c)), or, with respect to a Participant's Non-Grandfathered Benefits, a reduction in the level of bona fide services by the Participant to no more than 20 percent of the average level of bona fide services performed over the immediately preceding 36 month period, other than while the individual is on sick leave, military leave, or other bona fide leave of absence (such as temporary employment by the government) if the period of such leaves does not exceed twelve (12) months or, if longer, so long as the individual's right to reemployment with Snap-on Incorporated or any subsidiary employer is provided either by statute or contract. If the period of leaves exceeds twelve (12) months and the individual's right to reemployment is not provided either by statute or by contract, the employment relationship is deemed to terminate on the first day immediately following such twelve-month period. Separates and Separation shall mean, with respect to a Grandfathered Benefit, a Participant's termination of employment with Snap-on Incorporated and any subsidiary employer for any reason (including death or disability).

1.5.21 "Specified Employee" means Participants in the group that consists of (i) those employees of the Corporation and its subsidiaries (including non-resident alien employees) constituting the fifty most highly compensated officers of the Corporation and its subsidiaries (within the meaning of Code Section 416(i)(1)(A)(i)), plus (ii) those additional officers of the Corporation and its subsidiaries who would be included in the group of 50 officers described in clause (i) above if in making the determination under clause (i) non-resident alien employees were not taken into account.

1.5.22 "Supplemental Benefits" shall mean the retirement benefit which the Participant has earned under Subsection 2.2. The Supplemental Benefits shall be divided (as appropriate) between a Grandfathered Benefit and a Non-Grandfathered Benefit.

SECTION 2 — PARTICIPATION AND SUPPLEMENTAL BENEFITS

2.1 Eligibility. Each employee of Snap-on Incorporated or any subsidiary employer who was a Participant in the Plan will continue to be eligible to participate in the Plan in accordance with the terms of the Plan. Each employee of the Corporation will become a Participant in the Plan and eligible for benefits in accordance with Subsection 2.2, provided that such Participant meets the following requirements:

(a) The employee is an elected officer of the Corporation, as determined under the Bylaws of the Corporation; and (1/28/94, effective 4/22/94)

(b) Such employee is a member of the SIRP (1/28/94, effective 4/22/94).

2.2 Supplemental Benefits. Supplemental benefits payable to or on behalf of a Participant under the Plan shall be calculated as of his Retirement Date and (i) in the case of a Final-Average Participant shall be equal to the difference (if any) between (w) the retirement income or the pre-retirement spouse's benefit, computed for the Participant (and, if such Final-Average Participant is a Qualified Account-Based Participant, computed as though he were a Qualified Final-Average Participant) or his surviving spouse in accordance with the provisions of the Final Average Pay Component of the SIRP (disregarding any benefit or compensation limitations contained in the Code and/or limited due to participation in Snap-on Tools Corporation Deferred Compensation Plan)

(6/28/91), and (x) the Adjusted Benefit which is actually payable under the SIRP; and (ii) in the case of an Account-Based Participant, shall be equal to the difference (if any) between (y) the full amount of the Participant's Account Balance computed for the Participant (and, if such Account-Based Participant is a Qualified Final-Average Participant, computed as though he were a Qualified Account-Based Participant) in accordance with the provisions of the Account-Based Component of the SIRP as though such Account-Based Participant had elected to participate in the Account-Based Component on July 1, 2001, except that (A) in computing such Account-Based Participant's Opening Account Balance there shall be substituted, for such Account-Based Participant's "final average accrued benefit" in Section 4.4 of Article II of the SIRP, the amount which would be determined under (i) (w) of this Subsection 2.2 if such Account-Based Participant were a Final-Average Participant and his Retirement Date was June 30, 2001; and (B) his Earnings under Section 4.5 of Article II of the SIRP were determined without regard to the last sentence thereof, and (z) the Adjusted Benefit which is actually payable under the SIRP; in each case subject to the following limitations:

(a) Should employment of any person other than Robert A. Cornog continue after service as an officer terminates, retirement benefits under this Plan will not accrue after the calendar year in which service as an officer terminates. Effective October 27, 2000, Robert A. Cornog's retirement benefits under this Plan will accrue through March 31, 2002 as if he were an officer through March 31, 2002, regardless of his actual status as an officer after October 27, 2000 (April 26, 1985) (October 27, 2000).

(b) The maximum Supplemental Benefits payable annually under this Plan for any Participant who retired under the Plan prior to January 28, 1994 are limited to $150,000 (1/28/94).

(c) Supplemental Benefits will be payable in accordance with Subsection 2.3.

(d) Deferred compensation will be considered as eligible earnings only for the year payment is deferred for purposes of determining retirement benefits (8/22/86).

(e) For purposes of calculating the Supplemental Benefits (i) for Robert A. Cornog, two (2) years of credited service, and (ii) for Dale Elliot, one and one-half years of credited service, shall be credited for each year of his credited service under the SIRP for both accrual and vesting purposes, and notwithstanding anything in the Plan to the contrary except this Subsection 2.2(e), effective October 27, 2000, Robert A. Cornog shall be deemed to have remained employed by the Corporation through March 31, 2002 at the rate of compensation in effect with respect to Robert A. Cornog through March 31, 2002 (or on such earlier date, if any, that Robert A. Cornog terminates his employment with the Corporation); provided, however, that Robert A. Cornog's Transition Payment (as defined in Paragraph 2 of the Retention and Recognition Agreement dated October 27, 2000 between Robert A. Cornog and the Corporation (the "Retention Agreement") will not be considered as compensation for purposes of this Plan. Supplemental Benefits for Robert A. Cornog under this Plan shall be calculated in a manner that is consistent with the Retention Agreement. (June 25, 1992) (October 27, 2000).

Notwithstanding the forgoing, the amendment of this Plan as provided under Subsection 1.2 shall not reduce a Participant's Supplemental Benefits accrued prior to December 31, 2000 in violation of Section 6.

Notwithstanding anything in this Section to the contrary, Robert A. Cornog shall be a Participant in this Plan through March 31, 2002 without regard to whether he is an officer after October 27, 2000.

Notwithstanding any provision hereof to the contrary, in making the calculations relating to the comparison of benefits under the SIRP to benefits computed by disregarding any benefit or compensation limitations contained in the Code and/or limited due to participation in the Snap-on Tools Corporation's Deferred Compensation Plan, the Corporation, in its sole discretion, shall, (subject to the limitations imposed by Code Section 409A) adopt such procedures and assumptions as it shall deem appropriate to carry out the intent of this Plan, but shall treat persons similarly situated in a similar manner.

2.3 Payment of Benefits. Subject to the provisions of this Plan, Supplemental Benefits shall be payable to or on behalf of a Participant, with respect to Grandfathered Benefits and to Non-Grandfathered Benefits of Participants who are not Specified Employees commencing on his or her Retirement Date and with respect to Non-Grandfathered Benefits of Specified Employees commencing on the date that occurs six (6) months after his or her Retirement Date. Supplemental Benefits will be paid in the Normal Form unless the Participant has Elected a different Available Payment Form in which case they will be paid in accordance with such Election.

(a) Normal Form For Final-Average Participant. The Normal Form of Supplemental Benefits payments to a Final-Average Participant who retires on a normal, deferred or early Retirement Date will be made monthly, will commence on his or her Retirement Date with respect to Grandfathered Benefits and to Non-Grandfathered Benefits of Participants who are not Specified Employees, and with respect to Non-Grandfathered Benefits of Specified Employees on the date that occurs six (6) months after his or her Retirement Date and (i) will continue thereafter for life; (ii) if the Final-Average Participant dies within a period of five years after his Retirement Date, a continuing payment of the same amount will be made to his eligible spouse (as defined in Subsection 5.2) if then surviving, or if such eligible spouse is not living or dies prior to the expiration of such five-year period, to his beneficiary, for the balance of said period; and (iii) if, at the later to occur of the death of a retired Final-Average Participant or the completion of the applicable five-year period specified in (ii) of this Subsection 2.3(a), such Final-Average Participant's eligible spouse (as defined in Subsection 5.2) is living, such spouse shall be entitled to receive a monthly supplemental benefit on the first day of the next month, equal to 50 percent of the monthly supplemental benefit which the Final-Average Participant or such eligible spouse was receiving on such date and continuing on the first day of each month thereafter with the last payment being the payment due on the first day of the month in which such spouse's death occurs. If such spouse is more than ten years younger than the Final-Average Participant, the amount of monthly benefit payable to such spouse shall be reduced by an appropriate percentage (determined actuarially) for each full month by which such spouse's age is more than ten years less than the Final-Average Participant's age. Because payments of Non-Grandfathered Benefits of

Specified Employees under this Section will be delayed for six (6) months following a Participant's Retirement Date, the first payment will be equal to 7 months of monthly payments.

(b) Normal Form For Account-Based Participant . The Normal Form of Supplemental Benefits payments to an Account-Based Participant will be payment in a Lump Sum.

(c) Retirement Date. (i) Non-Grandfathered Benefit. For all purposes of a Participant's Non-Grandfathered Benefits under this Plan, the "Retirement Date" of each Participant shall be (i) in the case of a Final-Average Participant, the first day of the month coincident with or next following the date as of which such Final-Average Participant actually retires or is retired from the employ of all of the employers (x) on or after attaining age 65 years, (y) on or after attaining age 50 years if he has completed ten or more years of continuous employment with the Corporation or an affiliate after commencing participation in the SIRP, or (z) on the date he is retired because of total and permanent disability if he has completed ten or more years of continuous employment with the Corporation or an affiliate after commencing participation in the SIRP; and (ii) in the case of an Account-Based Participant, the first day of the month coincident with or next following the date of his Separation. Notwithstanding anything in the SIRP and this Plan to the contrary, for purposes of this Section, a Final-Average Participant "retires," "retired," or "is retired" only when he has Separated from Snap-on Incorporated and any subsidiary employer for any reason (other than death); provided, however that solely for purposes of determining the six (6) month delay (in Subsection 2.3(a)) on benefit payments to a Participant who has retired, the terms "retires," "retired," and "is retired" will not include termination by reason of disability or total and permanent disability; and provided further, that a Final-Average Participant's employment with Snap-on Incorporated or any subsidiary employer will not be deemed to have terminated while the individual is on military leave, sick leave, or other bona fide leave of absence (such as temporary employment by the government) if the period of such leaves does not exceed twelve (12) months or, if longer, so long as the individual's right to reemployment with Snap-on Incorporated or any subsidiary employer is provided either by statute or by contract. If the period of leave exceeds twelve (12) months and the individual's right to reemployment is not provided either by statute or by contract, the employment relationship is deemed to terminate on the first day immediately following such twelve-month period.

For purposes of this Subsection and Subsection 1.5.20, "total and permanent disability" and "disability" shall mean, notwithstanding any other definition in the SIRP, that the Final-Average participant or the Account-Based Participant is incapable of engaging in any substantial gainful occupation by reason of any medically determinable physical or mental impairment which can be expected either (i) to result in death, or (ii) to last for a continuous period of not less than twelve (12) months. The determination of "disability" or "total and permanent disability" shall be made by the Corporation in its sole discretion.

(ii) Grandfathered Benefit. For purposes of a Participant's Grandfathered Benefits under this Plan, the "Retirement Date" of each Participant shall be (i) in the case of a Final-Average Participant, the first day of the month coincident with or next following the date as of which such Final-Average Participant actually retires or is retired from the employ of all of the employers (x) on or after attaining age 65 years, (y) on or after attaining age 50 years if he has completed ten or more years of continuous employment under the SIRP, or (z) on the date he is retired because of total and permanent disability if he has completed ten or more years of continuous employment under the SIRP; and (ii) in the case of an Account-Based Participant, the first day of the month coincident with or next following the date of his Separation; provided, further, that if such Participant has filed a proper and timely deferral Election Form, it shall mean the January 1st as therein selected.

(d) Pre-retirement Spouse's Benefit and Other Death Benefit. In the event a Final Average Participant who has Elected to receive his Supplemental Benefits in the Normal Form at the time of his death, and who has a spouse to whom he is legally married at the time he satisfied the requirements of Subsection 2.3(c)(i)(y) or 2.3(c)(ii)(y) above dies leaving an eligible spouse, there shall be payable to such Final-Average Participant's eligible spouse the supplemental amount that would have been payable to his spouse under Subsection 2.3(a)(iii) above had the Participant retired on the first day of the month coincident with or next following the month in which his death occurred, had received payment commencing on such date in the form described in Subsections 2.3(a) for a period of five years and then died. Such monthly spouse's benefit will be paid to such spouse on the first day of the month coincident with or next following the date of the Final-Average Participant's death and will be payable on the first day of each month thereafter, with the final payment being the payment due on the first day of the month in which such spouse's death occurs. In the event a Participant is a Final-Average Participant who has elected to receive his Supplemental Benefit in a Lump Sum or in Installment Payments on the date of his death, or is an Account-Based Participant, and in either case, has a spouse to whom he is legally married at the date of his death, there shall be payable to such eligible spouse or, in the absence of an eligible spouse, to his beneficiary, the full amount of his or her Supplemental Benefits in the form the Participant has Elected or, in the absence of an Election by an Account-Based Participant, in the Normal Form. Without limiting the generality of the forgoing, subsequent to the commencement of payments in any Available Payment Form, the provisions of this Section 2.3(d) shall have no applicability or effect, and all death benefit payments, if any, will be determined in accordance with the terms of such Available Payment Form.

(e) Lump-Sum Distribution of Small Amounts. Notwithstanding the foregoing provisions of this Section 2.3, if the value of a Participant's Non-Grandfathered Benefit is less than or equal to the dollar limit set forth under Code Section 402(g) ($16,500 for 2010) on the date of the Participant's Separation from Service, the Participant's Non-Grandfathered Benefit shall be paid in a lump sum to the Participant as soon as administratively practicable following the date that occurs six (6) months after the Participant's Separation from Service. For a Participant who has Separated from Service prior to May 1, 2010 with a Non-Grandfathered Benefit that does not exceed the limit set forth in this paragraph, the balance of such Non-Grandfathered Benefit shall be paid in a lump sum to the Participant as soon as administratively practicable following May 1, 2010.

(f) Payment Pursuant to a Qualified Domestic Relations Order. Notwithstanding the foregoing provisions of this Section 2.3, a domestic relations order, as defined in Code Section 414(p)(1)(B), may provide that a Participant's rights with respect to all or a part of the Participant's Supplemental Benefit are transferred to an alternate payee. Such domestic relations order may provide that payments to the alternate payee will be accelerated and that such payments will be paid in a different form than the form elected by the Participant, so long as the form is permitted by the Plan.

The computation and payment of such benefits by the Corporation shall be conclusive on the Participant, his eligible spouse and his beneficiary (6/23/89).

Notwithstanding the provisions of Subsections 2.3(a)(iii) and 2.3(d), if Robert Cornog is a Final-Average Participant and has not Elected to receive his Supplemental Benefits in other than the Normal Form, and if the amount payable to the surviving spouse of Robert Cornog in the form of payment specified therein is less than $50,000 per year, the minimum amount payable to such spouse, pursuant to whichever of such Subsections, if any, apply, on an annual basis shall be $50,000 (6/25/92).

Notwithstanding anything in this Section to the contrary, a Participant will be allowed to elect on or before December 31, 2000 to defer to 2002 the payment of all Supplemental Benefits that might otherwise be payable in 2001.

2.4 Benefits Provided by Employers. Benefits under this Plan paid to a Participant, his surviving spouse or his beneficiary may be paid directly by the Participant's employer. No employer shall be required to segregate any assets or establish any trust or fund to provide for the payment of benefits under this Plan (6/23/89).

SECTION 3 — OTHER EMPLOYMENT

3.1 A Participant or other person receiving Supplemental Benefits under the Plan will continue to be entitled to receive such payments regardless of other employment or self-employment.

SECTION 4 — FORFEITURE FOR CAUSE

4.1 Notwithstanding any provisions of the Plan to the contrary except Section 8, a retired officer will be disqualified for benefits under this Plan if he, during his term of employment with the Corporation, or within two years of the date his employment terminates:

(a) Uses or discloses trade secrets for the benefit of someone other than the Corporation or its subsidiaries;

(b) Embezzles or steals cash or other property of the Corporation or its subsidiaries or performs other similar dishonest acts against the Corporation or its subsidiaries; or

(c) Enters into a business in direct competition with the Corporation or its subsidiaries as either an employee, director, proprietor, consultant, partner or joint venturer of such business (1/6/84).

SECTION 5 — GENERAL

5.1 Administration. The Plan will be administered by the Corporation. The Board of Directors of the Corporation will designate the person or persons authorized to act on behalf of the Corporation in the administration of the Plan.

5.2 Spouse or Beneficiary. Any benefits payable to an eligible spouse or beneficiary under the Plan shall be paid to such spouse or beneficiary eligible to receive the Participant’s benefits under the SIRP as provided in Subsection 2.3 or, if no such beneficiary as been designated, to the Participant’s estate. For purposes of this Plan, an “eligible spouse” of a Participant is a spouse of the Participant as of the Participant’s Retirement Date (or, if applicable, the Participant’s date of death) resulting from a legally recognized marriage in the State of Wisconsin (6/23/89).

5.3 Interests Not Transferable. Except as to any withholding of tax under the laws of the United States or any state, the interest of any Participant or other person under the Plan shall not be subject to the claims of creditors and may not be voluntarily or involuntarily sold, transferred, assigned, alienated or unencumbered.

5.4 Facility of Payment. Any amounts payable hereunder to any person under legal disability or who, in the judgment of the Corporation, is unable to properly manage his financial affairs may be paid to the legal representative of such person (6/23/89), but a change in payee under this Subsection will not change the otherwise applicable time and form for any benefit distribution under the Plan.

5.5 Gender and Number. Words in the masculine gender shall include the feminine gender and, where the context admits, the plural shall include the singular and the singular shall include the plural.

5.6 Controlling Law. Except to the extent superseded by the laws of the United States, the laws of Wisconsin shall be controlling in all matters relating to the Plan.

5.7 Successors. This Plan is binding on each employer and will inure to the benefit of any successor of an employer, whether by way of purchase, merger, consolidation or otherwise.

5.8 Not a Contract. This Plan does not constitute a contract of employment, and shall not be construed to give any Participant the right to be retained in any employer’s employ. No Participant shall have any rights under this Plan except those specifically provided herein. Such Participant shall not have any right or security interest in any specific asset of the employers or any trust, it being understood that any assets set aside shall be available for the claims of an employer’s creditors (6/23/89).

5.9 Litigation by Participant. If a legal action relating to the Plan is begun against the Corporation or an employer by or on behalf of any person, or if a legal action arises because of conflicting claims to a Participant's or other person's benefits, the cost to the Corporation or the employer of defending the action shall be charged to the extent permitted by law to the sum, if any, which were involved in the action or were payable to the Participant or other person concerned, or to the Supplemental Benefits payable to the Participant under the Plan.

SECTION 6 — AMENDMENT AND TERMINATION

6.1 While the Corporation expects to continue the Plan indefinitely, the right to amend or terminate the Plan by action of the Board of Directors of the Corporation (or by action of those to whom the Board of Directors of the Corporation has delegated in writing the power to amend the Plan) is hereby reserved, provided that in no event shall any Participant's Supplemental Benefits accrued to the date of such amendment or termination be reduced or modified by such action except (i) where an amendment is made at the recommendation of the Corporation made pursuant to an express authority hereunder to make such recommendations and (ii) where an amendment is mandatory, or desirable, as determined in the sole discretion of the Corporation, in order for any Non-Grandfathered Benefit under the Plan to comply with (or to continue to comply with) the requirements imposed on the Plan by Code Section 409A for the Plan to continue to provide tax-deferred compensation under the Code. Any Supplemental Benefits accrued to the date of such amendment or termination shall be payable under Subsection 2.3 (8/28/87)(6/23/89); provided, however, that notwithstanding anything in this Section to the contrary, no payment date of any Non-Grandfathered Benefit under this Plan may be accelerated as a result of the termination of the Plan under this Section, except that:

(a) a distribution may be made upon termination of the Plan within twelve (12) months of the dissolution of Snap-on Incorporated that is taxed under section 331 of the Code, provided that the amounts distributed from the Plan are included in Participants' incomes in the plan year in which the termination occurs.

(b) a distribution may be made upon termination of the Plan with the approval of the bankruptcy court pursuant to 11 U.S.C. 503(b)(1)(A), provided that the amounts distributed from the Plan are included in Participants' incomes in the plan year in which the termination occurs;

(c) a distribution may be made upon termination of the Plan within the 30 days before, or 12 months after, a change of control of the Corporation as defined in Code Section 409A, if: (i) all substantially similar nonqualified deferred compensation plans of Snap-on Incorporated and its subsidiary employers are also terminated; and (ii) distributions under all such plans are made within twelve (12) months of the plans' termination; and

(d) a distribution may be made upon termination of the Plan, if: (i) the termination does not occur proximate to a downturn in the financial health of the Corporation; (ii) all nonqualified deferred compensation plans of Snap-on Incorporated and its subsidiary employers that are the same type as the Plan are terminated; (iii) no unusual payments from those plans are made within twelve (12) months of the Plan's termination; (iv) all payments are completed within twenty-four (24) months of the Plan's termination; and (v) Snap-on Incorporated (and its subsidiary employers) do not adopt a replacement nonqualified deferred compensation plan of the same type as the Plan for three (3) years following the Plan's termination.

SECTION 7 — ADDITIONAL SPECIAL RESTRICTIONS (1/1/96)

7.1 Effective Date and Overriding Provisions. The following provisions of this Section 7 shall become effective on a "restricted date" (as defined in Subsection 7.6 below) and, upon becoming effective, shall remain effective until the following related unrestricted date and, during that period, shall supersede any other provisions of the Plan to the extent necessary to eliminate any inconsistencies between the provisions of this Section 7 and any other provisions of the Plan, including any exhibits and supplements thereto, but not including any provisions of the Plan strictly required only in order for the Plan, as modified during the periods this Section is effective, to be in compliance with Code Section 409A with respect to Non-Grandfathered Benefits.

7.2 Prohibitions Against Mergers and Termination, Restrictions on Amendment. During the period beginning on a restricted date and ending on the following related unrestricted date, (i) the Plan may not be merged into any other plan or terminated, (ii) no amendment of the Plan which would reduce the accrual of benefits or change participation or vesting requirements to the detriment of existing Participants in the Plan immediately prior to the restricted date shall be permitted, except such amendments as may be strictly required only to comply with Code Section 409A with respect to Non-Grandfathered Benefits, and (iii) the provisions of Subsection 2.2(a) shall not apply with respect to any employee whose service as an officer ceases during such period.

7.3 Subsidiaries and Affiliates. For purposes of this Section 7, a "subsidiary" of the Corporation means any corporation more than 50 percent of the voting stock of which is owned, directly or indirectly, by the Corporation. An "affiliate" of the Corporation means any individual, corporation, partnership, trust or other entity which controls, is controlled by, or is under common control with the Corporation.

7.4 Prohibition Against Amendment. Except as otherwise required by law, including without limitation, by requirements imposed by Code Section 409A, the provisions of this Section 7 may not be amended, deleted or superseded by any other provision of the Plan, during the period beginning on a restricted date and ending on the related unrestricted date.

7.5 Timing and Method of Distribution. During the period beginning on a restricted date and ending on the following related unrestricted date, the timing and methods of distributions of benefits payable to or on behalf of a Participant under the Plan and the determination of Actuarially Equivalent values shall be governed by the applicable provisions of the Plan as in effect on the date immediately preceding the restricted date, except to the extent that such Plan provisions must be changed in order for Non-Grandfathered Benefits under the Plan to comply with the requirements imposed by Code Section 409A.

7.6 Restricted and Unrestricted Dates. For purposes of this Section 7, the term "restricted date" means the date on which either a Change of Control (as defined in Subsection 7.7) or a Potential Change of Control (as defined in Subsection 7.8) occurs. An "unrestricted date" means (1) in the case of a restricted date which occurs by reason of a Change of Control, the last day of the five year period following such Change of Control or (2) in the case of a restricted date occurring by reason of a Potential Change of Control, the last day of the six-month period following such Potential Change of Control."

7.7 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:

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

(ii) 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 Company 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 Company's shareholders 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

(iii) there is consummated a merger or consolidation of the Company or any direct or indirect subsidiary of the Company with any other corporation, other than (A) a merger or consolidation which would result in the voting securities of the Company 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 Company or such surviving entity or any parent thereof outstanding immediately after such merger or consolidation, or (B) a merger or consolidation effected to implement a recapitalization of the Company (or similar transaction) in which no Person is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company (not including in the securities Beneficially Owned by such Person any securities acquired directly from the Company or its COC Affiliates) representing 25% or more of either the then outstanding shares of common stock of the Company or the combined voting power of the Company's then outstanding voting securities; or

(iv) the shareholders of the Company approve a plan of complete liquidation or dissolution of the Company or there is consummated an agreement for the sale or disposition by the Company of all or substantially all of the Company'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 Company of all or substantially all of the Company's assets to an entity, at least 75% of the combined voting power of the voting securities of which are owned by shareholders of the Company in substantially the same proportions as their ownership of the Company 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 of the Company 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 Company immediately following such transaction or series of transactions.

For purposes of this definition of Change of Control, "COC Affiliate" shall have the meaning of "affiliate," as 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; 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 Company or any of its subsidiaries, (ii) a trustee or other fiduciary holding securities under an employee benefit plan of the Company or any of its COC 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 Company in substantially the same proportions as their ownership of stock of the Company 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 Company Beneficially Owned by it on such date.

7.8 Potential Change of Control. A “Potential Change of Control” shall be deemed to have occurred if:

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

(b) the Corporation or any person publicly announces an intention to take or to consider taking actions which, if consummated, would constitute a Change of Control;

(c) any person becomes the beneficial owner, directly or indirectly, of securities of the Corporation representing 15% or more of either the then outstanding shares of common stock of the Corporation or the combined voting power of the Corporation’s then outstanding voting securities; or

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

SECTION 8 — PAYMENT OF BENEFITS DURING CREDIT RATING LIMITATION PERIOD (10/22/99)

8.1 Effective Date and Overriding Provisions. The following provisions of this Section 8 shall become effective upon the occurrence of a “Credit Rating Limitation Date” (as defined in Subsection 8.2 below) and, upon becoming effective, shall remain effective until a subsequent “Credit Rating Delimitation Date” (as defined in Subsection 8.2 below) and, during the “Credit Rating Limitation Period” (as defined in Subsection 8.2 below) shall supersede any other provisions of the Plan, other than Section 7, to the extent necessary to eliminate any inconsistencies between the provisions of this Section 8 and any other provisions of the Plan, other than Section 7, including any exhibits and supplements thereto. The provisions of this Section 8 shall be applicable only to Grandfathered Benefits.

8.2 Credit Rating Limitation and Delimitation Dates. For purposes of this Section 8, the term “Credit Rating Limitation Date” 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 8. 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. For purposes of this Section 8, the term “Credit Rating Delimitation Date” means the date on which the Company’s debt rating achieves an Investment Grade Rating after having previously lost such rating. The period of time commencing on a Credit Rating Limitation Date and ending on a Credit Rating Delimitation Date shall be the “Credit Rating Limitation Period.”

8.3 Benefit Payment Provisions. Upon the occurrence of a Credit Rating Limitation Date and on each December 31 after such date occurring during the Credit Rating Limitation Period, and prior to the occurrence of a Credit Rating Delimitation Date, a single sum payment shall be made immediately to each Participant under the Plan of the amount by which the “Actuarial Equivalent” (as defined in Subsection 8.4 below) of (a) exceeds the sum of (b) plus (c):

(a) The amount of Grandfathered Benefits determined in Subsection 2.2(i) (as limited by all of Subsection 2.2) based upon the assumptions that (1) the Participant has a nonforfeitable right to the Participant’s benefit from the SIRP, (2) the Participant incurs a Separation as of the date of determination, and (3) benefits payable from the SIRP would commence upon the earliest payment date allowed under the SIRP immediately following such termination of employment.

(b) The Actuarial Equivalent of the amount of Grandfathered Benefits, if any, determined in Subsection 2.2(ii) (as limited by all of Subsection 2.2) based upon the same assumptions as in Subsection 8.3(a) above.

(c) The Actuarial Equivalent of the amount of Grandfathered Benefits paid to such Participant based on any prior determination date pursuant to this Subsection 8.3.

8.4 Actuarial Equivalent. Actuarial Equivalent means an amount equal in value to the benefit replaced as determined with respect to a single sum distribution under Section 8 by using the average thirty (30) year Treasury rate for the second full calendar month preceding the first day of the calendar quarter in such year that contains the determination date as of which the single sum distribution is being determined, as specified by the Commissioner of the Internal Revenue Service in the Internal Revenue Bulletin, and the mortality table prescribed by the Secretary of the Treasury in revenue rulings, notices, or other guidance pursuant to Section 807(d)(5)(A) of the Code that has been published in the Internal Revenue Bulletin as of the date such single sum distribution is being determined.

8.5 Supplemental Benefits In Payment Status During Credit Rating Limitation Period . During a Credit Rating Limitation Period the Actuarial Equivalent payment of any unpaid Supplemental Benefits which are Grandfathered Benefits in payment status under this Plan shall be made immediately to the Participant or other appropriate recipient in a single sum amount.

8.6 No Duplication of Benefits. Under no circumstances shall a Participant receive duplicate payment of Supplemental Benefits under the Plan. Entitlement to periodic or other payment of Supplemental Benefits is canceled when such benefits are paid out in accordance with this Section 8.

EXHIBIT 31.1

CERTIFICATIONS

I, Nicholas T. Pinchuk, 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: July 28, 2010

/s/ Nicholas T. Pinchuk
Nicholas T. Pinchuk
Chief Executive Officer

EXHIBIT 31.2

CERTIFICATIONS

I, Aldo J. Pagliari, 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: July 28, 2010

/s/ Aldo J. Pagliari
Aldo J. Pagliari
Principal Financial Officer

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

In connection with the Quarterly Report of Snap-on Incorporated (the “Company”) on Form 10-Q for the period ended July 3, 2010, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Nicholas T. Pinchuk as Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to §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/ Nicholas T. Pinchuk
Nicholas T. Pinchuk
Chief Executive Officer
July 28, 2010

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

In connection with the Quarterly Report of Snap-on Incorporated (the "Company") on Form 10-Q for the period ended July 3, 2010, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Aldo J. Pagliari as Principal Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to §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/ Aldo J. Pagliari
Aldo J. Pagliari
Principal Financial Officer
July 28, 2010