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PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the Snap-On Incorporated 2010 Third Quarter Results Conference Call. At this time all participants are in a listen only mode. At the conclusion of our remarks, we will conduct a question and answer session. (Operator Instructions).

I would now like to introduce for host for today's conference call, Leslie Kratcoski. Please go ahead.

Leslie Kratcoski - *Snap-on Incorporated - IR*

Thanks, Evelyn, and good morning everyone. Thanks for joining us today to review Snap-On's third quarter, 2010 results, which are detailed in our press release issued earlier this morning. We have on the call today Nick Pinchuk, Snap-On's Chief Executive Officer, and Aldo Pagliari, Snap-On's Chief Financial Officer. Nick will lead off our call this morning with his perspective on our performance. Aldo will then provide a more detailed review of our financial results. After Nick provides some closing thoughts, we'll take your questions.

As usual, we have provided slides to supplement our discussion. You can find a copy of these slides on the Investor Relations portion of our website next to the audio icon for this call. These slides will be archived on our website along with the transcript of today's call. Any statements made during this call relative to Management's expectations, estimates or beliefs or otherwise state Management's or the company's outlook, plans or projections are forward-looking statements and actual results may differ materially from those made in such statements. Additional information and the factors that could cause our results to differ materially from those in the forward-looking statements are contained in our SEC filings.

With that said I'll now turn the call over to Nick Pinchuk. Nick?

Nick Pinchuk - *Snap-on Incorporated - Chairman, CEO, and President*

Thanks, Leslie. Good morning, everyone.

While Snap-On had another quarter of improved year-over-year performance and on top of that we saw some favorable market signals, so it's very encouraging. We believe there's now clear evidence of a building Snap-On strength in the recovering market. Overall, our organic sales were up 13.4%, solid by any measure, and that's after being up 9.5% in the second quarter and 4% in the first quarter. Needless to say, we like that trend.

Operating income rose 72% from last year with Financial Services contributing profitability, as projected, improving its performance as it brings the loan portfolio on to Snap-On's books. The operating company OI, without Financial Services increased by a strong 46% so again, overall, we're encouraged by the strength of the quarter and that result was in the face of an unfavorable swing in LIFO. We would say our runways for growth are clearing and our Snap-On value creation processes around safety, quality, customer connection, innovation, rapid continuous improvement, or RCI, they continue to drive progress.

So having said, that let me give you a bit of color and my perspective on the trends we see. With respect to the economic environment and the impacts on our markets, there is some nice positives. It was our third straight quarter of increasing year-over-year gain, so that alone indicates a better environment, and there's also a building momentum in some of our most strategically important areas, in our core Auto Repair business, in Emerging Markets, and in Critical Industries, all areas where we see clear, long-term runway.

Now, the third quarter is seasonally our most challenging. It can be quite variable, so it's sometimes difficult to draw extended conclusions from the results, but having said that, Snap-On's quarter was robust, completely overcoming the typical season low. We often talk about big ticket items, higher price products that either have longer payback like diagnostics or under-car equipment or a more discretionary like tool storage units. Activity here is usually a barometer of our customers overall financial health and of their confidence. You'll recall that during the downturn last year we saw quite a bit of variation from period to period in big ticket purchases, but with these results, we've now put together three quarters in a row of year-over-year increases in all three big ticket categories. They are all back now to pre-downturn levels.

In the tools group, both diagnostics and tools storage unit showed significant gains. A real help in this was our new diagnostics handheld unit called the Verdict. It was launched at our annual franchisee conference in August and it got great reviews. It's a fully functional unit that we believe sets a new industry standard with features like a detachable wireless touch screen display, remote use from anywhere in the garage, Wi-Fi internet capability, and access to Snap-On's unique repair information database. The Verdict is clearly an innovation. It provides real productivity to technicians and as you'd expect, the reception has been very strong. Beyond the vans, our Equipment Division, part of the Repair Systems and Information, or RS&I, Group showed strong year-over-year gains in particularly -- in its big ticket under-car products. That's what Equipment sells. It achieved gains in both North America and Europe, well ahead of our Company's overall sales increase. In fact, Equipment volumes were even slightly ahead of the second quarter. A third quarter sequential increase is very rare for this business, because a large presence in Europe and the associated seasonality usually make July through September a tough period, so this quarter's increase, sequential increase in equipment sales, was a big win.

From a geographical standpoint there hasn't been much change in the regional market landscape. North America showed gains that were a bit better than those recorded worldwide. Europe's recovery is generally a little weaker. We were, however, up double digits though the story there continues to vary region by region. In the south, especially Spain, it still hasn't been much improvement. Spain is important for us because SNA Europe, our European-based hand tools business, has an exceptionally strong presence. On the other hand, the north is decidedly more positive. Sales in markets like Germany, Sweden and Finland all grew strongly, so Europe is still mixed, but for us, up double digits overall. With respect to Emerging Markets, places where we've made investments and are focused on expansion like Eastern Europe, we saw strong growth in Russia, again in the quarter up nearly 50%; and Asia Pacific continued its steep growth curve, significantly higher than our overall increase with India and China both setting the pace. China continues to sell out all the band saws it can produce and the Indian sales team is now gaining real traction in the under-car equipment market. So that's some perspective on the global environment, a varied landscaped, but increasing almost everywhere.

Now, for some highlights on the operating segments. Commercial Industrial, or C&I, saw volumes up about $45 million. That's more than a 21% increase. Operating earnings rose $21 million with those increased volumes and strong RCI results driving the improvement. RCI results in the quarter are a dramatic testimony to the ongoing power of our Snap-On Value Creation Processes. They contributed greatly to our progress so far and we're confident there's still much more opportunity to go.

We've often spoke about the runway in Critical Industries where the tasks absolutely need to be accomplished without fail. Well, recently we had graphic evidence of such a situation. Many watch the dramatic rescue of the miners in Chile as it was broadcast around the globe. It was a great story, and you could clearly see SNA Europe's Baco branded tools on the scene assisting in the rescue, accomplishing "the" critical mission of the quarter. So, our performance -- but while that's an interesting sidebar, I think I'd like to talk about our performance in the Industrial Business, one of the real positives for the Company this past quarter. Near record sales, trailing only the fourth quarter of 2008 in volumes, a really strong quarter. Our Industrial Business was up 34% and that gain was across the globe, and that was without much restocking. We believe that that is evidence of our success in moving the Snap-On brand out of the vehicle garage and into critical industries everywhere. Look, it's clear that overall economic activities is not at pre-crisis levels, but we still achieved a near record quarter in this space. It shows we are making significant gains in the strategic area.

I've also mentioned in the past that we're expanding our product offering aimed specifically at critical industries like power generation, mining, and aerospace. It's paying off. Along those lines, innovation's played a big part of Snap-On's history and that tradition continues today. Just this past quarter we launched our new Automated Tool Control or ATC tool storage product aimed squarely at the aerospace sector. We've taken our sophisticated digital imaging technology, which is a huge competitive advantage for us in car and liners, and transformed tool storage boxes into high-tech assets. Paired with a keyless entry system that laser technology scans the tool drawer. It knows who checked out and who returned every tool, every time. It's important to know where your tools are when you're working on jet engines. ATC accomplishes that task like no other product, and it's a great system, and we've started to see our first sales in the quarter.

ATC is only, the ATC technology is only one example of leveraging Snap-Ons breadth and depth to drive the company's presence in Critical Industries. We're collaborating widely across business operations to maximize opportunities by applying our existing advantages in one sector to develop opportunities in others. For Critical Industries, such as power generation and aerospace, military and mining and many others, we're well positioned to modify our core products and technologies to meet the unique requirements. The third quarter is more evidence that it's working.

A good portion of our effort in Emerging Markets gets reflected in C&I, so I'll talk about that now. I touched on the strong increases earlier and that growth only comes with expanded physicals, presence and products, and we're aggressively building both in those markets. In Asia, we're increasing manufacturing capabilities both in Kunshan and in Shousan where our Wanda acquisition is based and we recently launched our Asian handheld diagnostics unit. It's our first, specifically tailored for the region and there's more in the pipeline. In Eastern Europe, last year we built a plant in Belarus. Just this past month we had the official inauguration that included government dignitaries and broad TV coverage. It was great exposure for the innovative technologies we're bringing to the region and it's just the type of presence and recognition that helps in building a distribution network, creating a foothold, and in generating the strong sales increase we've seen in this quarter in Eastern Europe. That's C&I.

Let's move to the tools group. We've seen a return to pre-downturn sales levels. Overall volume is up nearly 11% and the US, better at nearly 13%. OI margin, the same as last year after adjusting for a $4 million negative LIFO swing. These results reflect our balanced approach to maintain the strength of our powerful franchise system. We've invested significantly in training and product support to keep our network robust. In that way, in August, we held our annual Snap-On franchisees conference. It's annual, but this one was special. It served as the highlight of our ninetieth anniversary celebration. We've been in business for nine decades, and it was a significant success, record attendance, more product, more training seminars and a business and profit center aimed specifically at helping our franchise and franchisees improve their business efficiencies. It was really popular. The mood to the conference was very positive, I can tell you. The franchisees are upbeat about their prospects. They enthusiastically embrace Snap-Ons coherent focus on making work easier for professionals who perform critical tasks and because they know our whole organization is behind that mission. Across the globe in all of our divisions, they believe strongly in their future with our Company.

We've spoken in the past about the Snap-On stimulus program. Well, the best stimulus we can provide is great product so we're encouraged that we were recently recognized for just that. Snap-On was named the overall best brand in six categories of tools by Frost and Sullivan in their 2010 survey of technicians. Snap-On carried the number one ranking by wide margins. For example, in hand tools, 70% of the technicians prefer the Snap-On brand. The nearest competitor had an 8% share; in diagnostics, the winning margin was 46 to nine, and the numbers for tool storage were 63% Snap-On, the highest other brand, 8%. Our products were also recognized in the quarter by professional tool and equipment news, the Snap-On low profile ratchet and the Quadriga tire changer, were both recognized by that publication for outstanding innovations in vehicle repair. Now, this award is special because it was based on the opinion of professional users, the people that gained productivity by actually using Snap-On, so that says a lot.

I already mentioned that the recovery in big ticket items. Many of those sales are through our vans, on credit, and that credit has been available without disruption throughout the integration of Snap-On credit. Our Financial Service Business is performing as we predicted, becoming increasingly profitable as the loan portfolio moves on to our books and that's successful integration of Snap-On credit has had a significant hand in supporting the sales growth.

Now, for some discussion of the RS&I Group. Sales up about 10% or 19 million excluding currency. OI up 11.2%. I already mentioned the equipment divisions big ticket sale gains in both North America and Europe, the strong increases of equipment are a big part of our RS&I progress. You remember that the RS&I portfolio is where we have our exposure to the North American OEMs and their contraction of their dealerships, so Snap-On business solutions does continue to be impacted by that disruption. We did, however, in the quarter, achieve more offsets with increasing activity in OEM essential tools and diagnostics programs. We're also gaining in heavy duty diagnostics products, supplying trucks, supplying to truck shop owners in greater volumes than ever before; and you'll probably remember that RS&I focuses on vehicle shop repair owners and managers. We're expanding in that space and you can see it in this groups numbers. Our diagnostics in Mitchell 1 division's already strong and independent repair shops continue to better the positions. In addition to the successful new Verdict handheld I mentioned earlier, Mitchell 1 released a new version of its shop management software with significant success. We've made investments in this area and it's paying off.

Well, that gives you a little color on the quarter -- significant sales increases, encouraging profitability, strengthening strategic position, and ample runways for further growth. Now, I'll turn the call over to Aldo for the financial review.

Aldo Pagliari - *Snap-on Incorporated - SVP Finance, CFO*

Thanks, Nick.

Our consolidated operating results are summarized on slide six. Net sales for the third quarter of $653 million increased 12.3% year-over-year. Excluding currency translation, sales increased 13.4%. As Nick mentioned, the primary drivers behind the $71 million year-over-year sales increase include significantly higher sales to customers in Critical Industries and Emerging Markets, as well as double digit increases in worldwide equipment and sales to franchisees in the United States. Consolidated gross profit of $301 million increased $40.7 million year-over-year, driven by higher sales, improved manufacturing utilization, and savings from ongoing Rapid Continuous Improvement, or RCI, initiatives and restructuring actions. Foreign currency benefited gross profit by $2.7 million while lower year-over-year restructuring costs contributed another $2 million. The overall benefits from improved manufacturing utilization, RCI, currency and lower restructuring were partially offset by $4.1 million of higher year-over-year LIFO related inventory expense. As a result of these factors, consolidated gross margin improved 130 basis points to 46.1% as compared to 44.8% last year.

Operating expenses in the quarter increased $15.9 million from 2009 levels, primarily due to higher volume related and other expenses, including higher cost as a result of increased participation at our 2010 annual franchisee conference. Year-over-year operating expenses also included $4.1 million of higher US pension expense, largely due to lower than projected asset returns in previous years. These increases were partially offset by lower bad debt expense, favorable currency translation and savings from ongoing RCI and restructuring initiatives. As a percent of sales, operating expenses of 34% in the quarter improved 150 basis points from 35.5% last year.

Operating earnings of $78.8 million before Financial Services improved $24.8 million, which is a 45.9% year-over-year increase on 12.3% of higher sales. Including Financial Services, operating earnings increased $35.1 million or 72.1% over 2009 levels. As a percentage of total revenues, operating earnings increased 420 basis points from 8.3% last year to 12.5% this year. Financial Services operating earnings of $5 million in the quarter improved $10.3 million from the third quarter 2009 loss of $5.3 million. On a sequential basis, Financial Services operating earnings improved $3.3 million from second quarter 2010 levels. As expected operating income from Financial Services, which is before interest expense, continues to improve as the on book finance portfolio grows.

The third quarter effective income tax rates were 34.4% in 2010 and 29.3% last year. The lower rate in 2009 reflects the favorable resolution of certain tax matters as well as a favorable mix of foreign earnings. Finally, third quarter net earnings of $46.5 million increased $21.1 million or 83% from the $25.4 million earned last year.

Let's now turn to our segment results. Beginning with the Commercial & Industrial, or C&I, Group on slide seven, segment sales of $261 million improved 19.5% from prior year levels. Excluding the impact of currency translation, organic sales increased 21.2%. The year-over-year sales increase was again driven by higher sales across all operating units with particularly strong increases in those businesses serving customers in Critical Industries and Emerging Markets. Gross profit in the C&I segment of $96.2 million increased $25.9 million or 36.8% from 2009 levels. This increase is primarily due to higher sales and $3.5 million of savings from ongoing RCI and restructuring initiatives. The gross profit comparison also benefited from improved manufacturing utilization, primarily in Europe, as a result of increasing production levels. For the quarter, gross margin of 36.8% improved 460 basis points from 32.2% last year.

Operating expenses in the quarter of $65.6 million increased $4.8 million from 2009 levels primarily due to higher volume related and other expenses and increased restructuring cost. As a percentage of sales, operating expenses improved by 280 basis points year-over-year. Operating margin in the C&I segment of 11.7% in the third quarter of 2010 improved 740 basis points from 4.3% last year.

Turning now to slide eight. On a worldwide basis, third quarter sales in the Snap-On tools group of $259 million increased 10.8% from 2009 levels, including a 12.8% increase in the United States. Gross profit in the Snap-On tools group of $108 million in the quarter increased $3.4 million from 2009 levels primarily due to higher sales and favorable currency effects. The year-over-year gross profit comparison was also impacted by higher costs associated with increased franchisee product related programs and by $4.1 million of higher LIFO related expense. LIFO related expense was $600,000 in the third quarter of 2010. Last year, as a result of lower production and inventory reduction efforts, the LIFO related benefit was $3.5 million.

As a percentage of sales, gross margin in the quarter was 41.6% as compared to 44.7% last year. Third quarter operating expenses of $79.5 million in the Snap-on Tools group increased $4.7 million from 2009. This is primarily due to higher volume related and other expenses as a result of increased participation at this year's annual Snap-On franchisee conference, which focused primarily on the development and profitability of the franchise network. In the quarter, we also incurred higher costs associated with the development of a new and expanded product catalog that was deferred from 2009 to 2010. We view these increased costs as longer term investments in our business. As a percentage of sales, operating expense in the quarter improved 140 basis points from 32.1% last year to 30.7% this year. Third quarter operating income for the Snap-On tools segment was $28.2 million or

10.9% of sales compared to $29.5 million or 12.6% of sales last year. After adjusting for LIFO in both years, operating income in the quarter increased $2.8 million or 10.8% year-over-year, and as a percentage of sales was 11.1% in both years.

Turning to slide nine and the Repair Systems and Information, or RS&I, segment, third quarter sales of $207 million were up 8.1% from 2009 levels. Excluding currency, organic sales were up 10.1%, primarily due to higher worldwide sales of equipment, increased essential tool and facilitation program sales, and higher diagnostic sales and Mitchell I information products. These increases were partially offset by the anticipated lower electronic parts catalog sales in North America as a result of OEM dealership consolidations. Gross profit of $97.3 million in the quarter increased $11.4 million or 13.3% from 2009 levels, primarily due to higher sales, lower restructuring costs, material cost reductions, and continued savings from ongoing RCI and restructuring initiatives. Gross margin in the quarter of 46.9% improved 210 basis points or over 44.8% last year.

Operating expenses of $55.6 million in the quarter were essentially flat with 2009 levels as higher volume related, product development, and other expenses were largely offset by lower restructuring costs, favorable currency translation, savings from RCI and restructuring initiatives as well as lower bad debt expense. As a percentage of sales, operating expenses improved 210 basis points year-over-year. Operating earnings of $41.7 million in the quarter increased $11.2 million or 37%. As a percentage of sales, operating margin in the RS&I Group improved 420 basis points from 15.9% last year to 20.1% this year.

Turning now to slide ten, Financial Services operating earnings of $5 million in the quarter compares favorably to both second quarter 2010 earnings of $1.7 million and to the third quarter 2009 loss of $5.3 million. The $10.3 million year-over-year increase in operating earnings primarily reflects the higher revenue contributions from Snap-On credits growing on book finance portfolio. As you know, since July of last year, we are no longer selling loan contracts to CIT and recording gains on sale. Rather, we are building an on balance sheet interest yielding portfolio. As this portfolio grows, so will our Financial Services operating earnings.

Moving to slide 11, as of third quarter end our balance sheet includes gross financing receivables of $528 million from our US Snap-On credit operation and $139 million from our international finance subsidiaries for a total financing portfolio of $667 million. In the United States, $445 million of the portfolio relates to extended credit loans to technicians. Snap-On continues to manage the run-off portfolio of contracts owned by CIT which totaled $317 million at third quarter end, down $67 million from second quarter levels. For the full year, we continue to expect that the on book financing portfolio at Snap-On credit will have grown by approximately $300 million, resulting in a year-end US finance portfolio of about $565 million to $570 million. Regarding finance portfolio losses and delinquency trends, these continue to be in line with our expectations and have improved compared to both Q1 and Q2 levels.

Turning to slide 12, consolidated operating cash flow for the quarter was $10.2 million. At the end of the third quarter, our cash position of $360 million declined $71 million from second quarter 2010 levels, primarily due to the funding of new loans originated by Snap-On credit. Since second quarter end, net finance and contract receivables increased $85 million. In the quarter, capital spending of $10.5 million was down from 2009 levels primarily due to last year's construction of a new R&D facility in Richfield, Ohio, and the accelerated expansion of our manufacturing capabilities in Emerging Markets. As seen on slide 13, since last year-end trade and other receivables increased $20.6 million and Day Sales Outstanding improved to 62 days. Inventories increased $50 million from 2009 year-end, primarily due to higher production levels as a result of increased customer demand. On a trailing 12 month basis, inventory turns improved to 4.5 turns as compared to 4.1 turns at 2009 year-end.

Net debt at the end of the quarter was $571 million. Our net debt-to-capital ratio of 29.2% compares to 22.2% at 2009 year-end. Excluding approximately $108 million of cash, currently withheld related to the previously disclosed dispute with CIT, our net debt-to-capital ratio as of the end of the third quarter would have been 32.9%. In addition to $360 million of cash, we continue to maintain a $500 million revolving credit facility and $20 million of committed bank lines. Most recently on October 1, we entered a loan and servicing agreement that allows us to secure additional borrowings of up to $100 million through the pledging of Snap-On credit finance receivables under an asset backed securitization facility. This agreement provides us with additional available credit capacity and funding diversification that supplements our existing credit agreements. As of third quarter end, no amounts were outstanding under any of these facilities. This concludes my remarks on our third quarter performance.

Before turning the call back to Nick, I'd like to review our outlook for the balance of 2010. For the full year, we expect to incur approximately $15 million of restructuring costs and approximately $45 million for capital expenditures. We continue to expect that full year 2010 pension expense will be $16 million higher than last year. Finally, the anticipated effective income tax rate for full year 2010 will approximate 33.6%. Before opening the call for questions, Nick would like to provide some final thoughts.

Nick?

Nick Pinchuk - *Snap-on Incorporated - Chairman, CEO, and President*

Thanks, Aldo.

Look, I'll close by saying, again, that our performance in the quarter was quite encouraging. We believe it represents strong confirmation that Snap-On is a company with unique strength, ongoing opportunity for improvement, and extended runways for growth. Going into the downturn, we assess the macroeconomics difficulties saying that big ticket long pay back items were important; they would help lead our recovery and they have. We said we would invest in strategic areas that would be decisive going forward and those efforts appear to be working well. We've maintained our van network. It's more enthusiastic and more stable than when we entered the difficulties.

We said that Critical Industries would be a corridor of growth. We're growing strongly in that arena. The industrial division was up 34% in the quarter. We were convinced that our technology and reputation would enable expansion with repair shop owners. Equipment in RS&I are confirming that belief. Equipment shook off the natural third quarter headwind and grew strongly in both the US and Europe. And we said Emerging Markets presented with the unique opportunity of physically provisioned would help us grow; and we are growing and gaining in those areas. Those regions are growing at deep double digits, well ahead of even the robust GDP's.

No one can predict how the environment will unfold. The economies of the world are still fragile. Having said that, however, we now have three quarters of positive Snap-On momentum. The situation seems to be playing out as we expected and our strategic programs are successful. Because of all of that, we're more confident than ever before that Snap-On is well-positioned to take strong advantage of the future, strong advantage of the future, in whatever shape it unfolds. Before taking questions, I want to end by thanking the people responsible for these encouraging results, our associates and franchisees. I know, as usual, many of you are listening. These results would not have been possible without your capability and your dedication. I thank you for your support and I congratulate you on your success.

Operator? Now we'll take questions.

QUESTIONS AND ANSWERS

Operator

Thank you. (Operator Instructions).

We'll first go to Jim Lucas, Janney Montgomery Scott.

Jim Lucas - *Janney Montgomery Scott - Analyst*

Thanks, good morning all.

Nick Pinchuk - *Snap-on Incorporated - Chairman, CEO, and President*

Hello, Jim.

Jim Lucas - *Janney Montgomery Scott - Analyst*

Want to start with a couple of housekeeping questions first. On the restructuring, what is the year-to-date number?

Nick Pinchuk - *Snap-on Incorporated - Chairman, CEO, and President*

The year-to-date number in restructuring is about $8 million, $8.4 million or $8.5 million, something like that.

Jim Lucas - *Janney Montgomery Scott - Analyst*

I thought you were about half way to the target which implies -- do you anticipate that full $15 million spend?

Nick Pinchuk - *Snap-on Incorporated - Chairman, CEO, and President*

Yes. You do the arithmetic, it says six and change in the fourth quarter, but last year, we did seven and change, so I don't think we think that's an extraordinary amount.

Jim Lucas - *Janney Montgomery Scott - Analyst*

Okay.

And with the early successes you're having on the Emerging Market strategy, could you just bring us up-to-date on where you stand today from a geographical footprint of North America versus Europe versus Emerging Markets?

Nick Pinchuk - *Snap-on Incorporated - Chairman, CEO, and President*

You mean the sales?

Jim Lucas - *Janney Montgomery Scott - Analyst*

The sales, yes.

Nick Pinchuk - *Snap-on Incorporated - Chairman, CEO, and President*

Yes, it's roughly this way, I think. You can say, look, North Americas 65%, 66% of the business; Europe is 25% of the business; Emerging Markets -- Asia Pacific is eight -- between 5% and 10% of the business; and the rest is drips and drabs, Latin America and so on.

Jim Lucas - *Janney Montgomery Scott - Analyst*

Okay.

And on the Critical Industries, glad to hear that the new vision tool box is out there and that's a great example in the aerospace side. Can you talk a little bit about which of the Critical Industries you're having the best success in so far? And, is that geographically spread out or is it more end market specific?

Nick Pinchuk - *Snap-on Incorporated - Chairman, CEO, and President*

Actually, the success in Industrial, which I think I said really -- success in Industrial has been across-the-board geographically, at least generally almost all the quarters we've seen, the Critical Industries have been pretty strong in the United States, Europe and so on.

This quarter showed was -- strong gains from aerospace to mining to natural resources. I think the strongest in this quarter was natural resources for us, but if you look back over some period we seen growth in each of those areas. We saw -- but in this quarter, we saw a nice bump out of the natural resource business.

Jim Lucas - *Janney Montgomery Scott - Analyst*

Okay.

I know that it's probably a little too early to be talking about 2011 at least in a public environment, knowing how most companies answer this question, but clearly the third quarter was a positive surprise from the seasonality not having the normal impact -- and it does signify that those of us that have been waiting to see this for a long time on the outside as I know has been the same on the inside -- very good to see, but as you start looking ahead, not just to the fourth quarter but 2011, can you talk about -- you've talked a lot about what's going to happen on the rewards side but from headwinds, can you talk about what you're seeing there?

Nick Pinchuk - *Snap-on Incorporated - Chairman, CEO, and President*

Well, from a headwinds point of view, I can't predict what's going to happen in Spain. We've got a lot of business there. It seems to be bumping along the bottom, so I don't know when that's going to recover. In terms of looking at where improvement is going to come from and looking from recovery, I have a question mark myself about southern Europe.

If you're talking about commodity price -- you can talk about commodity price, a lot is talked about in terms of commodity. We don't see for us a major headwind because we do get commodity prices, but as you know, Jim, a lot of our products are not so much material as they are labor, so our increases are not very devastating and plus, we generally can price for recognized commodity increases. So that's not such much a problem for us. You could take a look at Critical Industries and say, "okay, well, will the military spend as much as they have in the past?" Maybe they won't. That could be a headwind that we would have to offset some places.

Some people are talking about restocking, but for us we see almost none, so the 34% we saw in the Critical Industries in the industrial division in third quarter had almost no restocking. I can tell you that we just went through our quarterly reviews and I don't think restocking came up at all in a week of discussion, so we aren't seeing that as a factor. So, for us the headwinds are mostly around what's going to happen in southern Europe. Could there be some variation and some cooling in Critical Industries? But, we don't expect a lot. We expect that to continue reasonably good because we've seen it for many quarters now and some of the traditional headwinds for some other businesses like commodities or restocking, we don't see in our future.

Jim Lucas - *Janney Montgomery Scott - Analyst*

And then just as a reminder with regards to that industrial business, what is the rough percentage mix of direct versus distribution there?

Nick Pinchuk - *Snap-on Incorporated - Chairman, CEO, and President*

You know, I have to say that about 70% to 30%. Most of it is direct. I mean 70 being direct, so that's one of the reasons why you don't have a lot of people in between you and the end customer. That's why we don't see the restocking as much.

Jim Lucas - *Janney Montgomery Scott - Analyst*

Great. Well congrats on a very good third quarter.

Nick Pinchuk - *Snap-on Incorporated - Chairman, CEO, and President*

Thanks.

Operator

Next we'll move to Gary Prestopino, Barrington Research.

Steven Gregory - *Mandalay Research - Analyst*

Yes, this is actually Steven Gregory from Mandalay Research.

A couple of things, Nick. This is one of the calls I always look forward to every quarter. You're very enthusiastic and you do a great job, so continued success.

Nick Pinchuk - *Snap-on Incorporated - Chairman, CEO, and President*

Thanks.

Steven Gregory - *Mandalay Research - Analyst*

A couple of things -- about two months ago in the Wall Street Journal there was an article written about how 2011 is going to be really critical for companies to drive more revenue online. Can you provide some color on the call today as what is your eCommerce position going forward and how do you plan to drive more revenue through your really good website?

Nick Pinchuk - *Snap-on Incorporated - Chairman, CEO, and President*

Well, I think in terms of our van business, we offer -- in the United States, a traditional tool business that you have for Snap-on, I don't think you're going to see much revenue in that business because our customers in that van business, there's about 35% of it see real value-added from the up close and personal delivery of the product, so I don't see that happening there.

Now, I want you to remember that we're about making work easier for professionals in critical tasks, so the online piece of our business, the online delivery does not provide as much opportunity for us, really. You may see some online delivery with some of our distributer activities and that's more B to B in that situation, but that's really where I'd say we limit it to. Our "schtick," if you will, our value is that we sell to customers and we convince them -- we sell to customers who are performing critical tasks and we convince them that they are going to see real productivity in using our solutions and our products and that usually requires face to face. Now, after you convince them, you can see some kind of structural ordering, but it's not a big factor in our business.

Steven Gregory - *Mandalay Research - Analyst*

So, driving people aside to buy some of your cards and battery packs and stuff like that is not usually an issue, just a status quo, really?

Nick Pinchuk - *Snap-on Incorporated - Chairman, CEO, and President*

It can, but the thing is remember when you're talking about a guy, a van driver, he wants to get it right now. He goes out there and his big value is that when he's talking to the technician and the technician says, "hey, I need it now," and we've got it right there, boom, it's off the truck and he has it now. He doesn't have to wait for delivery.

Steven Gregory - *Mandalay Research - Analyst*

So for on your website, who are you targeting on your website? Why even have it up?

Nick Pinchuk - *Snap-on Incorporated - Chairman, CEO, and President*

Well, our websites are targeting people who want to order that way, but most of our -- it's mostly around trying to create brand awareness.

Steven Gregory - *Mandalay Research - Analyst*

Do you have any revenue metrics of how much your revenue--

Nick Pinchuk - *Snap-on Incorporated - Chairman, CEO, and President*

It's a very small percentage of our business.

Steven Gregory - *Mandalay Research - Analyst*

Very small?

Nick Pinchuk - *Snap-on Incorporated - Chairman, CEO, and President*

I don't have any metrics.

Steven Gregory - *Mandalay Research - Analyst*

Are you guys building Mobile Apps for your side at all?

Nick Pinchuk - *Snap-on Incorporated - Chairman, CEO, and President*

Say that again. You're being a little garbled. I didn't hear that. Could you say it again, please?

Steven Gregory - *Mandalay Research - Analyst*

Companies are obviously looking to mobile and social media. Are you guys doing anything for mobile or social media to garner more attention in the community, get people more to your site, whether they purchase or not, but to get people more involved with your site? Are you building any Mobile Apps for the iPhone or anything?

Nick Pinchuk - *Snap-on Incorporated - Chairman, CEO, and President*

I don't know, I don't think, let me--

Aldo Pagliari - *Snap-on Incorporated - SVP Finance, CFO*

Just to interject, we do use some of those features, but they are oriented towards our franchisees. Our effort is to increase the productivity of the franchisees and not so much for the end-user technicians, so all those things you were describing ago are an excellent tool from an RCI perspective. They also use the web for supplier based activity, but when it comes to end-user purchases, it's not the preferred means as to how they conduct the trade.

Nick Pinchuk - *Snap-on Incorporated - Chairman, CEO, and President*

One of the things we've talked about in terms of productivity for our vans -- and that's -- we've identified that as one of our best opportunities -- is continuous improvement of their computer systems or their IT systems; and in fact, we're rolling out a new system in Canada as we speak and that will be spread out throughout the United States. Okay?

Steven Gregory - *Mandalay Research - Analyst*

Okay.

And final question, going forward, for 2011 and beyond, where would you like to see the Company, if you could picture a perfect world, not like revenue stream, or real profit, what have you, where would you like to be a couple years from now?

Nick Pinchuk - *Snap-on Incorporated - Chairman, CEO, and President*

Well, I think we've said in the call, and I've said many times, we see substantial runways for growth particularly around Critical Industries, around Repair Shop Owners and Managers, and in Emerging Markets. We also see opportunities to grow our van business, but those are three places, Critical Industries, Repair Shop Owners, and Emerging Markets; and I see those businesses being a bigger part of our Company. We're going to continue to pursue roll down those runways, because the third quarter I think is abundant evidence that those runways are clearing for us.

Now, we've said, I think, that moving forward, after the recession recovers, after we recover from the recession, after the recession recovery goes away, we believe we can register between 4% and 6% organic growth consistently, and we believe we can drive toward strong mid-teen OI margins, and we believe that we'll get that through organic growth; and then also in those critical runways we can find bolt on acquisitions, so I see us pursuing that moving forward.

Operator

Thank you.

Moving on we'll hear from David Leiker, Robert W. Baird.

David Leiker - *Robert W. Baird & Co. - Analyst*

Hi, good morning. How are you all?

Nick Pinchuk - *Snap-on Incorporated - Chairman, CEO, and President*

David.

David Leiker - *Robert W. Baird & Co. - Analyst*

I just want to follow-up on a couple of things, here. The organic growth number here is 13%. You answered one of my questions, how much you think there's restocking there, but how much do you think is pent-up demand is part of that as opposed to the market growing or market share gains?

Nick Pinchuk - *Snap-on Incorporated - Chairman, CEO, and President*

It's always a tough question, but look, I'll say this. It's pretty clear we're growing market share with the van. It's pretty clear -- it's clear that we are growing share in Industrial with Critical Industries; 34% is a gang busters' number. I can't tell you how much, but we're seeing that expansion and it's on top of -- if you go back pre-recession we were growing strong double digits in a moderate economy in that area, so I think this is just an extension of that.

Of course, we're growing share in Emerging Markets; and I think one of the places where our people on the grounds say we're expanding is in Europe. Europe was up double digits, even though it is, in fact, '08 levels. Everybody, a lot of people are saying they were up in Europe, but what we see in Europe is the customers aren't going away, but the smaller players seem to be contracting, so our people on the ground in Europe say we're gaining share even there.

I can't parse between -- I can't tell you which part of that is market share -- is share increase and return, but, if you look at things like, if you look at places like Equipment and the Critical Industries, is up strong double digits almost 20% or over 20%, Critical Industries are up 30%. You see Europe up double digits. I think if you look at the economies there locally you aren't going to see anything like that number and you have to conclude we're gaining share in those areas of a significant amount, but I can't tell you how much.

David Leiker - *Robert W. Baird & Co. - Analyst*

On a longer term basis, you said you've got organic growth of 4% to 6% and your running 13%. Is that -- you get to that normalized rate do you think that's two quarters out? Four quarters out? How would you characterize the progression to that number?

Nick Pinchuk - *Snap-on Incorporated - Chairman, CEO, and President*

Well, I would simply say this. If you look at this we're going to keep growing at strong double digits in Asia Pacific. We're going -- I think we're back to pre-crisis levels in the van business, so I don't know what you'd expect on that, but we're back to pre-crisis levels.

We are starting to get to pre-crisis levels in our Critical Industries, where, by the way, we were growing at double digits; and Europe is the wildcard, David, because I don't -- I can't predict how that's going to come back. That's got a long way to come back to 2008. I really can't say where we're going to get back to stabilized numbers.

David Leiker - *Robert W. Baird & Co. - Analyst*

And then on the Critical Industry side, where would you say you are in your game plan in terms of penetrating those end markets of being, of having a presence and a product for those markets? Do you think it's pretty much where you want and now it's like a share opportunity or do you think there's still some market opportunities there?

Nick Pinchuk - *Snap-on Incorporated - Chairman, CEO, and President*

Can you say that again? I'm getting -- I must have some bad connection, because I can't hear you. Did you say about Emerging Markets?

David Leiker - *Robert W. Baird & Co. - Analyst*

No, in the Critical Industries, where do you think you are in terms of penetrating that in terms of having the right product and the right market presence versus still having opportunities to broaden your exposure there? Not share gain.

Nick Pinchuk - *Snap-on Incorporated - Chairman, CEO, and President*

Well, if the end -- yes, okay. Based on where we started, based on the opportunities I see, based on the incidence of people coming to me with both product and customer opportunity, if the end game is a ten, I would say we're at a two and a half.

David Leiker - *Robert W. Baird & Co. - Analyst*

Okay.

And the last item on that is who do you think you're gaining share from in those Critical Industries?

Nick Pinchuk - *Snap-on Incorporated - Chairman, CEO, and President*

Well I think there's a number of people. Our players in the United -- there's a number of people. Certainly, we have our big competitors, like Armstrong and Proto in the United States. In Europe, you have Gador, you have Stavili, you have Usag, and those are the broad tool -- Hazet -- you have broad tool manufactures and then you have some specific people that do pliers and other things or smaller products like Nepex in Europe, so I'd say we're gaining from a collective group.

We tend to offer a wider range of product than anybody else, David, so when we sell a kit to an aerospace company, or we sell a kit to the military, we're usually displacing a number of different competitors. When we sell to Shanghai Airlines, we may be replacing a German competitor, a Japanese competitor and a Chinese competitor at the same time, so it's a mix.

David Leiker - *Robert W. Baird & Co. - Analyst*

Great. Thank you very much and very nice quarter.

Nick Pinchuk - *Snap-on Incorporated - Chairman, CEO, and President*

Sure, thank you.

Operator

(Operator Instructions).

We'll now move to David Manger, Morning Star.

Nick Pinchuk - *Snap-on Incorporated - Chairman, CEO, and President*

Hello?

Leslie Kratcoski - *Snap-on Incorporated - IR*

Can we go to the next person in the queue please?

Operator

Thank you. We'll next move to Gary Prestopino, Barrington Research.

Gary Prestipino - *Barrington Research - Analyst*

Hi, good morning.

Nick Pinchuk - *Snap-on Incorporated - Chairman, CEO, and President*

Hi, Gary.

Gary Prestipino - *Barrington Research - Analyst*

Can you hear me?

Nick Pinchuk - *Snap-on Incorporated - Chairman, CEO, and President*

Yes.

Gary Prestipino - *Barrington Research - Analyst*

Okay, great. Hey, Aldo, I tried to ask a question before and got cutoff.

What did you say was the goal with the portfolio by the end of Q4? Did you give a number there?

Aldo Pagliari - *Snap-on Incorporated - SVP Finance, CFO*

I did actually. We said consistently we expected from the beginning of this year to add about $300 million to the overall portfolio, so if you do the mathematics we should end up about $565 million to $570 million by year-end -- is our projection for the Snap-on credit portfolio.

Gary Prestipino - *Barrington Research - Analyst*

That's US, right?

Aldo Pagliari - *Snap-on Incorporated - SVP Finance, CFO*

That's correct.

Gary Prestipino - *Barrington Research - Analyst*

Okay, all right.

And then is the ultimate goal overall with the overall portfolio to get it -- or maybe I'm wrong -- is the US ultimate goal to get to about $700 million?

Aldo Pagliari - *Snap-on Incorporated - SVP Finance, CFO*

I'd say more closer, Gary, to about $750 million or so. Historically, if you look at the combined portfolios, they exceed over $800 million and they have for some time. As I've said before in some of our investor meetings is that we probably will do a little bit less van leasing going forward. There are other sources of funding for our franchisees on that dimension that are very competitive.

We have no problem with them using those, but when you look at our extended credit portfolio and leasing of equipment portfolio, put that in there, I think we see around $750ish million; and again internationally, again, we expect at least $130 million, and we'll look to the future to see if there's opportunities to grow that, but I like to look at a combined portfolio of about $900 million, $880 million, $900 million right now in terms of a future stake.

Gary Prestipino - *Barrington Research - Analyst*

Okay.

And then in terms of some of these growth markets like Critical Industries and the Emerging Markets, could you, Nick, size each of these markets on a worldwide basis as you see it? And then give us some idea of what your revenues are in each of these markets, currently?

Nick Pinchuk - *Snap-on Incorporated - Chairman, CEO, and President*

Well, sure. I think I've said, and we feel pretty confident. It's very difficult to size the markets for Critical Industries, because it's so vertical and there's so many different aspects of it and what products do you include in it, but I would say, for example, that we've said that that business has the clear potential to be as big as our tools group, that business alone; and today, that business is somewhere between let's say $350 million to $400 million.

Gary Prestipino - *Barrington Research - Analyst*

Okay and right now --

Nick Pinchuk - *Snap-on Incorporated - Chairman, CEO, and President*

So we think that's -- relative to where we are now, that's quite unbounded. And Emerging Markets, it's anybody's guess. But, Gary, they are going to sell more cars in China this year than the United States and I think that plays out in terms of airframes and whole other things in power plants and so on. And, so when you see our opportunity there and realizing that the repair market hasn't started yet because there's $300 million vehicles on the road and 45% are over ten years old now; and in China, even though they are pounding a lot of vehicles into the park right now, there's still only fifty million on the road and they are all new, you can see the China market alone being as big as the US market and therefore being the size of the van business, again. Again though, very --

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Gary Prestipino - *Barrington Research - Analyst*

But in Emerging Markets, you gave a range of 5% to 10% of revenues. Is that where you are?

Nick Pinchuk - *Snap-on Incorporated - Chairman, CEO, and President*

Yes, that's where it is today.

Gary Prestipino - *Barrington Research - Analyst*

So, if you dial back a year, two years ago, where were you as a percentage of revenues?

Nick Pinchuk - *Snap-on Incorporated - Chairman, CEO, and President*

I don't know that number, but its been growing dramatically on a small base, so I really don't have that. It was quite a bit smaller. I've just said that I think you and I have spoken about this is that if you go back to 2004, let's say, or those kinds of years, we hardly sold anything in Asia.

Gary Prestipino - *Barrington Research - Analyst*

Right.

Nick Pinchuk - *Snap-on Incorporated - Chairman, CEO, and President*

We had ten people in two offices. So it was really--

Gary Prestipino - *Barrington Research - Analyst*

Is your main competition in say a place like China, is it a domestic manufacturer?

Nick Pinchuk - *Snap-on Incorporated - Chairman, CEO, and President*

Well, it depends on the industry. It depends on a particular product and the industry, but let's say for example, it can be sometimes there can be imported product or sometimes for -- let's say, Shanghai Airlines, your competition will be imported, but for let's say the Volkswagen OEM dealership, it will be primarily local, and it's a galaxy of competitors. The thing about China is, it's quite -- China and India and all of the Emerging Markets -- is they are generally fragmented. That's why we like the opportunity, actually.

Gary Prestipino - *Barrington Research - Analyst*

Okay, thank you.

Nick Pinchuk - *Snap-on Incorporated - Chairman, CEO, and President*

Sure.

Operator

At this time, there are no further questions. I would like to turn the conference back to Leslie Kratcoski for any additional or closing remarks.

Leslie Kratcoski - *Snap-on Incorporated - IR*

No, I'd just like to say as always we appreciate your interest in Snap-on. A replay of the call will be available on Snap-on.com and we thank you for joining us today.

Operator

And that does conclude today's conference. Thank you all for your participation.