
**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 **June 30, 2007**

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
(State of incorporation)

2801 80th Street, Kenosha, Wisconsin
(Address of principal executive offices)

39-0622040
(I.R.S. Employer Identification No.)

53143
(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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒

Accelerated filer ☐

Non-accelerated filer ☐

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 20, 2007
Common Stock, \$1.00 par value	57,972,816 shares

TABLE OF CONTENTS

Part I: Financial Information

Item 1. Condensed Consolidated Financial Statements (Unaudited)

[Condensed Consolidated Statements of Earnings — Three and Six Months Ended June 30, 2007, and July 1, 2006](#)

[Condensed Consolidated Balance Sheets — June 30, 2007, and December 30, 2006](#)

[Condensed Consolidated Statements of Cash Flows — Six Months Ended June 30, 2007, and July 1, 2006](#)

[Notes to Condensed Consolidated Financial Statements](#)

[Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations](#)

[Item 3. Quantitative and Qualitative Disclosures About Market Risk](#)

[Item 4. Controls and Procedures](#)

Part II: Other Information

[Item 1. Legal Proceedings](#)

[Item 2. Unregistered Sales of Equity Securities and Use of Proceeds](#)

[Item 4. Submission of Matters to a Vote of Security Holders](#)

[Item 5. Other Information](#)

[Item 6. Exhibits](#)

[Signatures](#)

[Exhibit Index](#)

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

	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>June 30, 2007</u>	<u>July 1, 2006</u>	<u>June 30, 2007</u>	<u>July 1, 2006</u>
Net sales	\$ 711.9	\$ 621.7	\$ 1,417.6	\$ 1,209.0
Cost of goods sold	(389.5)	(341.8)	(785.3)	(670.5)
Gross profit	322.4	279.9	632.3	538.5
Financial services revenue	14.8	11.7	28.2	22.9
Financial services expenses	(9.7)	(8.7)	(19.4)	(17.9)
Operating income from financial services	5.1	3.0	8.8	5.0
Operating expenses:				
Selling, general and administrative	(240.1)	(224.9)	(485.0)	(446.9)
Litigation settlement	—	(38.0)	—	(38.0)
Total operating expenses	(240.1)	(262.9)	(485.0)	(484.9)
Operating earnings	87.4	20.0	156.1	58.6
Interest expense	(11.7)	(4.7)	(23.0)	(9.1)
Other income (expense) — net	2.5	0.3	2.7	(0.9)
Earnings from continuing operations	78.2	15.6	135.8	48.6
Income tax expense	(25.4)	(3.9)	(45.0)	(15.6)
Net earnings from continuing operations	52.8	11.7	90.8	33.0
Discontinued operations, net of tax	(9.0)	0.1	(8.0)	0.9
Net earnings	<u>\$ 43.8</u>	<u>\$ 11.8</u>	<u>\$ 82.8</u>	<u>\$ 33.9</u>
Basic earnings per common share:				
Earnings per share, continuing operations	\$ 0.91	\$ 0.20	\$ 1.56	\$ 0.56
Earnings (loss) per share, discontinued operations	(0.16)	—	(0.14)	0.02
Net earnings per share	<u>\$ 0.75</u>	<u>\$ 0.20</u>	<u>\$ 1.42</u>	<u>\$ 0.58</u>
Diluted earnings per common share:				
Earnings per share, continuing operations	\$ 0.90	\$ 0.20	\$ 1.54	\$ 0.56
Earnings (loss) per share, discontinued operations	(0.16)	—	(0.14)	0.02
Net earnings per share	<u>\$ 0.74</u>	<u>\$ 0.20</u>	<u>\$ 1.40</u>	<u>\$ 0.58</u>
Weighted-average shares outstanding:				
Basic	58.1	58.2	58.2	58.2
Effect of dilutive options	0.7	0.7	0.7	0.7
Diluted	<u>58.8</u>	<u>58.9</u>	<u>58.9</u>	<u>58.9</u>
Dividends declared per common share	\$ 0.27	\$ 0.27	\$ 0.54	\$ 0.54

See notes to Condensed Consolidated Financial Statements

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

	<u>June 30, 2007</u>	<u>December 30, 2006</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 72.0	\$ 63.4
Accounts receivable — net of allowances	561.2	559.2
Inventories	323.9	323.0
Deferred income tax benefits	67.5	76.0
Prepaid expenses and other assets	<u>78.8</u>	<u>91.6</u>
Total current assets	1,103.4	1,113.2
Property and equipment		
Land	23.9	24.3
Buildings and improvements	231.6	236.7
Machinery and equipment	<u>539.8</u>	<u>540.9</u>
	795.3	801.9
Accumulated depreciation and amortization	<u>(501.7)</u>	<u>(504.8)</u>
Property and equipment — net	293.6	297.1
Deferred income tax benefits	58.8	55.3
Goodwill	786.0	776.1
Other intangibles — net	242.8	257.8
Pension assets	14.4	14.0
Other assets	161.3	141.0
Total assets	<u><u>\$ 2,660.3</u></u>	<u><u>\$ 2,654.5</u></u>

See notes to Condensed Consolidated Financial Statements

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

	June 30, 2007	December 30, 2006
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable	\$ 185.3	\$ 178.8
Notes payable and current maturities of long-term debt	19.7	43.6
Accrued benefits	40.5	41.4
Accrued compensation	73.7	90.4
Franchisee deposits	46.4	48.5
Deferred subscription revenue	25.1	25.3
Income taxes	23.6	37.8
Other accrued liabilities	209.4	216.2
Total current liabilities	623.7	682.0
Long-term debt	501.4	505.6
Deferred income taxes	83.7	88.9
Retiree health care benefits	67.9	69.6
Pension liabilities	120.1	113.9
Other long-term liabilities	126.5	118.2
Total liabilities	1,523.3	1,578.2
Shareholders' equity		
Preferred stock (authorized 15,000,000 shares of \$1 par value; none outstanding)	—	—
Common stock (authorized 250,000,000 shares of \$1 par value; issued 67,095,354 and 67,081,801 shares)	67.1	67.1
Additional paid-in capital	129.7	121.9
Retained earnings	1,231.4	1,180.3
Accumulated other comprehensive income (loss)	46.9	21.2
Grantor Stock Trust at fair market value (zero and 407,485 shares)	—	(19.4)
Treasury stock at cost (9,168,225 and 8,503,482 shares)	(338.1)	(294.8)
Total shareholders' equity	1,137.0	1,076.3
Total liabilities and shareholders' equity	\$ 2,660.3	\$ 2,654.5

See notes to Condensed Consolidated Financial Statements

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

	Six Months Ended	
	June 30, 2007	July 1, 2006
Operating activities:		
Net earnings	\$ 82.8	\$ 33.9
Adjustments to reconcile net earnings to net cash provided (used) by operating activities:		
Depreciation	25.1	24.4
Amortization of other intangibles	8.7	0.8
Stock-based compensation expense	9.3	6.9
Excess tax benefits from stock-based compensation	(5.3)	(6.1)
Deferred income tax provision (benefit)	4.8	(2.4)
Gain on sale of assets	—	(0.4)
Loss (gain) on mark to market for cash flow hedges	0.1	(0.2)
Changes in operating assets and liabilities, net of effects of acquisition:		
(Increase) decrease in receivables	7.4	(12.1)
(Increase) decrease in inventories	3.7	(19.6)
(Increase) decrease in prepaid and other assets	5.8	(16.0)
Increase (decrease) in accounts payable	3.4	14.0
Increase (decrease) in accruals and other liabilities	(28.3)	49.8
Net cash provided by operating activities	<u>117.5</u>	<u>73.0</u>
Investing activities:		
Capital expenditures	(27.6)	(19.9)
Acquisition of business	(4.1)	—
Proceeds from disposal of property and equipment	8.6	11.0
Other	(1.9)	1.0
Net cash used in investing activities	<u>(25.0)</u>	<u>(7.9)</u>
Financing activities:		
Proceeds from issuance of long-term debt	298.5	—
Net decrease in short-term borrowings	(328.2)	(8.5)
Purchase of treasury stock	(64.3)	(58.3)
Proceeds from stock purchase and option plans	35.4	46.0
Excess tax benefits from stock-based compensation	5.3	6.1
Cash dividends paid	(31.6)	(31.8)
Net cash used in financing activities	<u>(84.9)</u>	<u>(46.5)</u>
Effect of exchange rate changes on cash and cash equivalents	1.0	1.1
Increase in cash and cash equivalents	8.6	19.7
Cash and cash equivalents at beginning of year	63.4	170.4
Cash and cash equivalents at end of period	<u>\$ 72.0</u>	<u>\$ 190.1</u>
Supplemental cash flow disclosures:		
Cash paid for interest	\$ (15.9)	\$ (7.8)
Net cash paid for income taxes	(10.7)	(16.0)

See notes to Condensed Consolidated Financial Statements

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

1. Condensed Consolidated Financial Statements

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") 2006 Annual Report on Form 10-K for the fiscal year ended December 30, 2006.

The condensed consolidated financial statements include the accounts of Snap-on, its majority-owned subsidiaries and Snap-on Credit LLC ("SOC"), a 50%-owned joint venture with The CIT Group, Inc. ("CIT"). The condensed consolidated financial statements do not include the accounts of the company's independent franchisees. All intercompany accounts and transactions have been eliminated. Certain prior year amounts have been reclassified on the Condensed Consolidated Statements of Cash Flows to conform to the current year presentation, and the Condensed Consolidated Statements of Earnings have been restated to reflect the company's June 29, 2007, sale of its Sun Electric Systems ("SES") business as "Discontinued Operations." See Note 17 for information on the sale of SES.

In the opinion of management, all adjustments (consisting of normal recurring adjustments) necessary for the fair presentation of the statement of financial condition and results of operations for the three and six month periods ended June 30, 2007, and July 1, 2006, have been made. The interim results of operations are not necessarily indicative of the results to be expected for the full fiscal year.

2. New Accounting Standards

Effective December 30, 2006, the last day of the 2006 fiscal year, Snap-on adopted the recognition provisions of Statement of Financial Accounting Standards ("SFAS") No. 158, "*Employers' Accounting for Defined Benefit Pension and Postretirement Plans: an amendment of FASB Statements No. 87, 88, 106, and 132(R)*." SFAS No. 158 requires an employer to measure the funded status of a plan as of the date of its year-end statement of financial position, and also requires an employer to initially apply the requirement to measure plan assets and benefit obligations as of the date of the employer's fiscal year-end statement of financial position for fiscal years ending after December 15, 2008. As the company uses the last day of its fiscal year end as the measurement date for its plans, the adoption of the measurement provisions of SFAS No. 158 will not have a material impact on the company's consolidated financial position and results of operations. Retrospective application of the recognition and fiscal year-end measurement date provisions of SFAS No. 158 is not permitted. See Notes 11 and 12 for information on pension and postretirement plans.

Effective December 31, 2006, the first day of fiscal 2007, Snap-on adopted Financial Accounting Standards Board ("FASB") Interpretation No. 48 ("FIN No. 48"), "*Accounting for Uncertainty in Income Taxes: an Interpretation of FASB Statement No. 109*." See Note 8 for information regarding income taxes.

Effective December 31, 2006, Snap-on adopted SFAS No. 156, "*Accounting for Servicing of Financial Assets*," to simplify accounting for separately recognized servicing assets and servicing liabilities. The adoption of SFAS No. 156 did not have a material impact on the company's consolidated financial position and results of operations.

The FASB released SFAS No. 157, "*Fair Value Measurements*," to define fair value, establish a framework for measuring fair value in accordance with generally accepted accounting principles, and expand disclosures about fair value measurements. SFAS No. 157 will be effective for Snap-on as of December 30, 2007, the beginning of the company's fiscal-2008 year. The company is currently evaluating the impact of adopting SFAS No. 157.

In February 2007, the FASB released SFAS No. 159, "*The Fair Value Option for Financial Assets and Financial Liabilities*." SFAS No. 159 allows companies to choose to elect, at specified dates, to measure eligible financial instruments at fair value. Companies shall report unrealized gains and losses on items for which the fair value option has been elected in earnings at each subsequent reporting date, and recognize upfront costs and fees related to those items in

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

earnings as incurred. SFAS No. 159 applies to fiscal years beginning after November 15, 2007, with early adoption permitted for companies that have also elected to apply the provisions of SFAS No. 157, "*Fair Value Measurements*." Companies are prohibited from retrospectively applying SFAS No. 159 unless they choose to early adopt both SFAS No. 157 and SFAS No. 159. SFAS No. 159 also applies to eligible items existing at November 15, 2007, (or early adoption date). Snap-on is currently evaluating the impact of adopting SFAS No. 159.

In June 2007, the FASB ratified Emerging Issues Task Force ("EITF") Issue No. 06-11, "*Accounting for Income Tax Benefits of Dividends on Share-Based Payment Awards*." EITF 06-11 specifies how companies should recognize the income tax benefit received on dividends that are (i) paid to employees holding equity-classified nonvested shares, equity-classified nonvested share units, or equity-classified outstanding share options; and (ii) charged to retained earnings under SFAS No. 123 (R), "*Share-Based Payment*." EITF 06-11 is effective for Snap-on beginning in fiscal 2008. The company does not believe the adoption of EITF 06-11 will have a material impact on the company's consolidated financial statements.

3. Acquisitions

On November 28, 2006, Snap-on acquired the ProQuest Business Solutions business and certain net assets (collectively, "Snap-on Business Solutions" or "Business Solutions," and formerly ProQuest Business Solutions) from ProQuest Company for an initial purchase price of \$516 million of cash and the assumption of approximately \$19 million of debt. The initial purchase price, which remains subject to the completion of a working capital adjustment, increased by \$4.1 million to \$520.1 million in the second quarter of 2007, primarily reflecting the higher level of working capital received by Snap-on at closing. The preliminary purchase price allocation is based upon the preliminary estimated fair values of the assets and liabilities acquired, and are subject to change upon the finalization of income tax matters and the working capital adjustment that is expected to be finalized in the third quarter of 2007.

The intangible assets consist of \$163.6 million of customer-related assets with a 16 year average life and \$20.7 million of developed technology with a five year average life, based on exchange rates at the date of acquisition.

4. Accounts Receivable

Accounts receivable include trade accounts, installment and other receivables, including the current portion of franchisee-financing receivables. The components of Snap-on's current accounts receivable were as follows:

<i>(Amounts in millions)</i>	June 30, 2007	December 30, 2006
Trade accounts receivable	\$ 486.1	\$ 477.6
Installment receivables, net of unearned finance charges of \$7.6 million and \$7.3 million	66.2	62.4
Other accounts receivable	42.8	52.1
Total	595.1	592.1
Allowance for doubtful accounts	(33.9)	(32.9)
Total accounts receivable — net	<u>\$ 561.2</u>	<u>\$ 559.2</u>

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

The long-term portion of accounts receivable is classified in “Other assets” on the accompanying Condensed Consolidated Balance Sheets and is comprised of installment and other receivables, including franchisee-financing receivables, with payment terms that are due beyond one year. The components of Snap-on’s long-term accounts receivable were as follows:

<i>(Amounts in millions)</i>	June 30, 2007	December 30, 2006
Installment receivables, net of unearned finance charges of \$9.8 million and \$9.2 million	\$ 45.7	\$ 42.6
Other long-term accounts receivable	29.3	28.3
Total	\$ 75.0	\$ 70.9

5. Inventories

Inventories by major classification were as follows:

<i>(Amounts in millions)</i>	June 30, 2007	December 30, 2006
Finished goods	\$ 310.3	\$ 310.4
Work in progress	35.4	35.2
Raw materials	62.8	64.1
Total FIFO value	408.5	409.7
Excess of current cost over LIFO cost	(84.6)	(86.7)
Total inventories	\$ 323.9	\$ 323.0

Inventories accounted for using the first-in, first-out (“FIFO”) method as of June 30, 2007, and December 30, 2006, approximated 64% and 62% of total inventories. The company accounts for its non-U.S. inventory on the FIFO method. As of June 30, 2007, approximately 32% of the company’s U.S. inventory was accounted for using the FIFO method and 68% was accounted for using the last-in, first-out (“LIFO”) method. LIFO inventory liquidations resulted in a reduction of “Cost of goods sold” on the accompanying Condensed Consolidated Statements of Earnings of \$0.4 and \$1.4 million for the six month periods ended June 30, 2007, and July 1, 2006. There were no LIFO inventory liquidations for the three month periods ended June 30, 2007, and July 1, 2006.

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

6. Acquired Intangible Assets

Disclosures related to other intangible assets are as follows:

	June 30, 2007		December 30, 2006	
<i>(Amounts in millions)</i>	Gross Carrying Value	Accumulated Amortization	Gross Carrying Value	Accumulated Amortization
Amortized other intangible assets:				
Customer relationships	\$ 165.1	\$ (5.9)	\$ 164.6	\$ (0.9)
Developed technology	21.1	(2.9)	28.3	(0.4)
Patents	33.0	(16.8)	32.5	(15.8)
Trademarks	2.8	(1.0)	2.8	(0.9)
Other	0.7	(0.4)	0.7	(0.3)
Total	222.7	(27.0)	228.9	(18.3)
Non-amortized trademarks	47.1	—	47.2	—
Total	<u>\$ 269.8</u>	<u>\$ (27.0)</u>	<u>\$ 276.1</u>	<u>\$ (18.3)</u>

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

<i>(In years)</i>	Weighted- average Amortization
Customer relationships	16
Developed technology	5
Patents	16
Trademarks	39
Other	2

The weighted-average amortization period for all amortizable intangibles on a combined basis is 16 years.

Amortization expense was \$4.3 million and \$8.7 million for the three and six month periods ended June 30, 2007, and \$0.3 million and \$0.8 million for the three and six month periods ended July 1, 2006. Total estimated annual amortization expense is expected to be \$17.5 million in 2007, and \$17.0 million for each of the next five fiscal years, based on current levels of amortized intangible assets.

Goodwill was \$786.0 million and \$776.1 million at June 30, 2007, and December 30, 2006. The increase in goodwill from December 31, 2006, primarily resulted from \$5.8 million of currency translation and \$4.1 million of purchase accounting adjustments related to the Business Solutions acquisition.

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

7. Exit or Disposal Activities

Snap-on recorded costs associated with exit and disposal activities of \$6.5 million and \$14.7 million for the three and six month periods ended June 30, 2007, and \$5.8 million and \$10.9 million for the three and six month periods ended July 1, 2006.

<i>(Amounts in millions)</i>	Three Months Ended		Six Months Ended	
	June 30, 2007	July 1, 2006	June 30, 2007	July 1, 2006
Exit and disposal costs:				
Cost of goods sold	\$ 5.6	\$ 1.8	\$ 11.3	\$ 3.7
Operating expenses	0.9	4.0	3.4	7.1
Financial services expenses	—	—	—	0.1
Total exit and disposal costs	\$ 6.5	\$ 5.8	\$ 14.7	\$ 10.9

Of the \$6.5 million and \$14.7 million of costs incurred during the three and six month periods ended June 30, 2007, \$1.8 million and \$6.2 million qualified for accrual treatment. Costs associated with exit and disposal activities in 2007 primarily related to headcount reductions from (i) the transfer of certain production activities from Sweden to lower-cost regions and emerging markets; (ii) the third quarter 2007 closure of the Johnson City, Tennessee, hand tool facility; (iii) the consolidation of multiple customer call centers in the United States; and (iv) various management realignment actions at other Snap-on facilities.

Snap-on's exit and disposal accrual activity for the quarter ended June 30, 2007, was as follows:

<i>(Amounts in millions)</i>	Balance at December 30, 2007	First Quarter		Balance at March 31, 2007	Second Quarter		Balance at June 30, 2007
		Additions	Usage		Additions	Usage	
Severance costs:							
Snap-on Tools	\$ 2.3	\$ 1.4	\$ (0.3)	\$ 3.4	\$ 0.3	\$ (1.1)	\$ 2.6
Commercial & Industrial	2.4	2.1	(1.4)	3.1	0.9	(2.0)	2.0
Diagnostics & Information	0.3	0.3	(0.3)	0.3	0.6	(0.5)	0.4
Corporate	0.3	0.5	(0.2)	0.6	—	(0.4)	0.2
Facility-related costs:							
Snap-on Tools	0.2	—	(0.1)	0.1	—	—	0.1
Diagnostics & Information	0.3	0.1	—	0.4	—	—	0.4
Corporate	0.2	—	—	0.2	—	—	0.2
Total	\$ 6.0	\$ 4.4	\$ (2.3)	\$ 8.1	\$ 1.8	\$ (4.0)	\$ 5.9

Exit and disposal accrual usage of \$4.0 million and \$6.3 million during the three and six month periods ended June 30, 2007, consisted primarily of severance and facility-related payments. Since year-end 2006, Snap-on has reduced headcount by approximately 185 employees as part of its restructuring actions. While the majority of the exit and disposal accrual will be utilized in 2007, certain severance and facility-related costs will extend beyond 2007 primarily due to longer-term severance and lease obligations.

Snap-on expects to fund the remaining cash requirements of its exit and disposal activities with 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 judgment under prevailing circumstances.

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

8. Income Taxes

The company adopted FIN No. 48, “*Accounting for Uncertainty in Income Taxes*,” on December 31, 2006, the beginning of the company’s 2007 fiscal year. As of December 31, 2006, the company had unrecognized tax benefits of \$23.5 million. Snap-on did not record any cumulative effect adjustment to retained earnings as a result of adopting FIN No. 48.

Of the \$23.5 million of unrecognized tax benefits, \$21.0 million would impact the effective income tax rate if recognized. Interest and penalties, if any, related to unrecognized tax benefits are recorded in income tax expense. As of December 31, 2006, the company had \$2.2 million of accrued interest included in the \$23.5 million of unrecognized tax benefits.

Snap-on believes it is reasonably possible that, within the next 12 months, \$0.6 million of previously unrecognized tax benefits will be recorded as a result of the resolution of various tax positions.

With few exceptions, Snap-on is no longer subject to U.S. federal, state/local, or non-U.S. income tax examinations by tax authorities for years prior to 2003, 2002 and 1998, respectively.

Snap-on’s effective tax rate on income from continuing operations was 32.5% in the second quarter of 2007 as compared with 25.0% in the second quarter of 2006. The company’s effective tax rate in 2007 was favorably impacted by the resolution of previously unrecognized tax benefits in certain non-U.S. jurisdictions. Snap-on’s effective tax rate of 25.0% in the second quarter of 2006 primarily reflects both the mix of U.S. and non-U.S. earnings, and the impact of the \$38.0 million pretax litigation settlement charge, which was tax effected at a higher U.S. tax rate. Snap-on expects that its effective tax rate for the second-half of 2007 will approximate 34.5%, as the company does not believe any additional material adjustments will be made related to unrecognized tax benefits for the remainder of 2007.

9. Short-term and Long-term Debt

Notes payable and long-term debt at June 30, 2007, was \$521.1 million; no commercial paper was outstanding at June 30, 2007. As of December 30, 2006, notes payable and long-term debt was \$549.2 million, including \$314.9 million of commercial paper. On January 12, 2007, Snap-on sold \$300 million in floating and fixed rate notes consisting of \$150 million of floating rate notes that mature in their entirety on January 12, 2010, and \$150 million of fixed rate notes that mature in their entirety on January 15, 2017. Interest on the floating rate notes accrue at a floating rate equal to the three-month London Interbank offer rate plus 0.13% per year; interest is payable quarterly. Interest on the fixed rate notes accrue at a rate of 5.50% per year; interest is payable semi-annually beginning July 15, 2007. Snap-on used the proceeds from the sale of the notes, net of \$1.5 million of transaction costs, to repay commercial paper obligations issued to finance the acquisition of Business Solutions. On January 12, 2007, the company also terminated the \$250 million bridge credit agreement that Snap-on established prior to its acquisition of Business Solutions.

Long-term debt of \$501.4 million as of June 30, 2007, includes \$200 million of unsecured 6.25% notes, \$150 million of unsecured 5.50% notes, \$150 million of unsecured floating rate notes, and \$1.4 million of other long-term debt. Notes payable to banks under uncommitted lines of credit were \$18.7 million at June 30, 2007, and \$28.6 million at December 30, 2006. CIT and Snap-on have agreed to lend funds to support SOC’s working capital requirements on a 50/50 basis. As of June 30, 2007, and December 30, 2006, SOC owed both Snap-on and CIT \$1.0 million and \$0.1 million each pursuant to this agreement.

At June 30, 2007, Snap-on had a \$400 million multi-currency revolving credit facility that terminates on July 27, 2009. The \$400 million credit facility’s financial covenant requires that Snap-on maintain a ratio of short-term and long-term debt (“total debt”) to the sum of total debt plus shareholders’ equity of not greater than 0.60 to 1.00. As of June 30, 2007, Snap-on was in compliance with all covenants of its revolving credit facility.

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

At June 30, 2007, Snap-on also had \$20 million of unused committed bank lines of credit, of which \$10 million expires on July 29, 2007, and \$10 million expires on August 31, 2007; Snap-on intends to renew both of these lines of credit during the third quarter of 2007. At June 30, 2007, Snap-on had approximately \$420 million of unused available debt capacity under the terms of its revolving credit facility and its committed bank lines of credit.

10. Financial Instruments

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

Foreign Currency Derivative Instruments: Snap-on has operations in a number of countries that have transactions outside their functional currencies and, as a result, is exposed to changes in foreign currency exchange rates. Snap-on also has intercompany loans to foreign subsidiaries denominated in foreign currencies. Snap-on manages most of these exposures on a consolidated basis, which allows for netting of certain exposures to take advantage of natural offsets. Forward exchange contracts are used to hedge the net exposures. Gains or losses on net foreign currency hedges are intended to offset losses or gains on the underlying net exposures in an effort to reduce the earnings volatility resulting from fluctuating foreign currency exchange rates.

At June 30, 2007, Snap-on had \$136.3 million of net foreign exchange forward buy contracts outstanding comprised of buy contracts of \$53.1 million in Swedish kronor, \$31.8 million in British pounds, \$24.4 million in euros, \$15.5 million in Australian dollars, \$4.3 million in Canadian dollars, \$3.8 million in Japanese yen, \$3.2 million in Singapore dollars and \$4.3 million in other currencies, and sell contracts of \$2.2 million in Hungarian forint and \$1.9 million in other currencies. At December 30, 2006, Snap-on had \$80.1 million of net foreign exchange forward buy contracts outstanding comprised of buy contracts of \$31.4 million in Swedish kronor, \$23.1 million in euros, \$17.8 million in British pounds, \$10.9 million in Australian dollars, \$2.3 million in Japanese yen, \$2.1 million in Norwegian kroner, and \$3.4 million in other currencies, and sell contracts of \$7.0 million in Canadian dollars and \$3.9 million in other currencies.

The majority of Snap-on's forward exchange contracts are not designated as hedges under SFAS No. 133. 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.

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. For cash flow hedges, the effective portion of the change in fair value of the derivative is recorded in "Accumulated other comprehensive income (loss)," on the accompanying Condensed Consolidated Balance Sheets, while any ineffective portion is recorded as an adjustment to interest expense. The notional amount of interest rate swaps outstanding and designated as fair value hedges was \$50 million at June 30, 2007, and at December 30, 2006.

Changes in the fair value of derivative financial instruments qualifying for hedge accounting are reflected as derivative assets or liabilities with the corresponding gains or losses reflected in earnings in the period of change. An offsetting

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

gain or loss is also reflected in earnings based upon the changes of the fair value of the debt instrument being hedged. For all fair value hedges qualifying for hedge accounting, the net accumulated derivative loss at June 30, 2007, was \$2.5 million. At June 30, 2007, the maximum maturity date of any fair value hedge was four years. During the second quarter of 2007, cash flow hedge and fair value hedge ineffectiveness was not material.

11. Pension Plans

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

<i>(Amounts in millions)</i>	Three Months Ended		Six Months Ended	
	June 30, 2007	July 1, 2006	June 30, 2007	July 1, 2006
Service cost	\$ 4.8	\$ 4.9	\$ 10.7	\$ 11.4
Interest cost	12.3	11.7	24.7	23.5
Expected return on assets	(16.0)	(15.3)	(32.1)	(30.4)
Actuarial loss	1.7	2.7	3.5	5.8
Prior service cost	0.3	0.3	0.6	0.6
Net transition asset	—	—	(0.1)	(0.1)
Net pension expense	<u>\$ 3.1</u>	<u>\$ 4.3</u>	<u>\$ 7.3</u>	<u>\$ 10.8</u>

Snap-on expects to make contributions to its foreign pension plans throughout 2007 of approximately \$7.5 million. Snap-on is not required to make a contribution to its domestic pension plans in 2007. Depending on market and other conditions, Snap-on may elect to make discretionary cash contributions to its domestic pension plans.

12. Retiree Health Care

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

<i>(Amounts in millions)</i>	Three Months Ended		Six Months Ended	
	June 30, 2007	July 1, 2006	June 30, 2007	July 1, 2006
Service cost	\$ 0.1	\$ 0.1	\$ 0.2	\$ 0.3
Interest cost	1.1	0.9	2.1	2.1
Unrecognized net gain	(0.4)	(0.5)	(0.5)	(0.6)
Prior service credit	0.1	(0.2)	(0.2)	(0.2)
Net postretirement expense	<u>\$ 0.9</u>	<u>\$ 0.3</u>	<u>\$ 1.6</u>	<u>\$ 1.6</u>

13. Stock-Based Compensation

The 2001 Incentive Stock and Awards Plan, as Amended ("2001 Plan"), which was approved by shareholders in 2001 and amended and approved by shareholders in 2006, provides for the grant of stock options, performance share awards and restricted stock awards. As of June 30, 2007, the 2001 Plan has 3,406,363 shares available for future grants.

Snap-on recognized \$5.4 million and \$9.3 million of compensation cost for the three and six month periods ended June 30, 2007, and \$3.6 million and \$6.9 million for the three and six month periods ended July 1, 2006. Cash received from option exercises during the three and six month periods ended June 30, 2007, totaled \$21.6 million and \$35.4 million. Cash received from option exercises during the three and six month periods end July 1, 2006, totaled \$20.6 million and \$46.0 million. The tax benefit realized from the exercise of share-based payment arrangements was \$3.8 million and \$6.3 million

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

for the three and six month periods ended June 30, 2007, and \$2.8 million and \$6.3 million for the three and six month periods ended July 1, 2006.

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. Grants made prior to 2007 vest in two annual increments beginning on the first anniversary following the grant date of the award. Beginning in 2007, all stock option grants vest over a three-year period, beginning on the first anniversary following the grant date of the award, with the exception of the 2007 grant to the company's Chief Executive Officer, which vests in its entirety within one year of grant.

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 expected term of options granted (based on 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 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 June 30, 2007, and July 1, 2006, using the Black-Scholes valuation model:

	Three Months Ended		Six Months Ended	
	June 30, 2007	July 1, 2006	June 30, 2007	July 1, 2006
Expected term of option (<i>in years</i>)	6.44	7.74	6.31	7.20
Expected volatility factor	25.08%	28.55%	25.75%	29.19%
Expected dividend yield	3.08%	3.21%	3.05%	3.23%
Risk-free interest rate	4.55%	5.00%	4.68%	4.59%

A summary of stock option activity as of and for the six month period ended June 30, 2007, is presented below:

	Shares (in millions)	Exercise Price Per Share (*)	Remaining Contractual Term (*) (in years)	Aggregate Intrinsic Value (in millions)
Outstanding at December 30, 2006	2.8	\$ 33.39		
Granted	0.7	50.40		
Exercised	(0.9)	33.50		
Forfeited or expired	(0.1)	44.78		
Outstanding at June 30, 2007	2.5	37.74	7.15	\$ 31.7
Exercisable at June 30, 2007	1.6	32.30	5.90	28.8

(*) Weighted-average

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

The weighted-average grant-date fair value of options granted during the six month periods ended June 30, 2007, and July 1, 2006, was \$12.17 and \$10.57. The intrinsic value of options exercised during the six month periods ended June 30, 2007, and July 1, 2006, was \$17.1 million and \$14.6 million. The fair value of stock options vested during the six month periods ended June 30, 2007, and July 1, 2006, was \$4.2 million and \$3.8 million.

As of June 30, 2007, there was \$8.7 million of unrecognized compensation cost related to non-vested stock option compensation arrangements granted under the 2001 Plan. That cost is expected to be recognized as a charge to earnings over a weighted-average period of 1.5 years.

Performance Awards

Performance awards granted in 2007 under the 2001 Plan are earned and expensed using the fair value of the performance award, determined by using the Black-Scholes valuation model, over a contractual term of three years based on the company's performance. Vesting of the performance awards will be dependent upon performance relative to pre-defined goals for revenue growth and return on assets for the years 2007 through 2009. Based on Snap-on's performance relative to these goals, the recipient can earn up to 100% of the performance awards. For performance achieved above a certain level, the recipient may earn additional cash units, not to exceed 50% of the number of performance awards initially awarded. Each additional cash unit also represents the right to receive cash of \$50.22, which was the fair market value of a share of common stock on the date of grant.

Performance awards granted in 2006 are earned and expensed using the fair value of the performance award, determined by using the Black-Scholes valuation model, over a contractual term of three years based on the company's performance. Vesting of the performance awards will be dependent upon performance relative to pre-defined goals for revenue growth and return on assets for the years 2006 through 2008. Based on Snap-on's performance relative to these goals, the recipient can earn up to 100% of the performance awards. For performance achieved above a certain level, the recipient may earn additional cash units, not to exceed 50% of the number of performance awards initially awarded. Each additional cash unit also represents the right to receive cash of \$39.35, which was the fair market value of a share of common stock on the date of grant.

Performance awards granted in 2005 are earned and expensed using the fair value of the performance award, determined by using the Black-Scholes valuation model over a contractual term of three years based on the company's performance. Vesting of the performance awards will be dependent upon performance relative to pre-defined goals for revenue growth and return on assets for the years 2005 through 2007. Based on Snap-on's performance relative to these goals, the recipient can earn up to 100% of the performance awards with an equal number of cash units that represent the right to receive cash of \$31.73 per unit. For performance achieved above a certain level, the recipient may earn additional cash units, not to exceed 100% of the number of performance awards initially awarded. Each additional cash unit also represents the right to receive cash of \$31.73, which was the fair market value of a share of common stock on the date of grant.

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

The fair value of each performance award 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 options 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 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 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 June 30, 2007, and July 1, 2006, using the Black-Scholes valuation model. No performance awards were granted in the three month periods ended June 30, 2007, and July 1, 2006.

	Six Months Ended	
	June 30, 2007	July 1, 2006
Expected term of performance award (<i>in years</i>)	3.0	3.0
Expected volatility factor	20.52%	20.54%
Expected dividend yield	3.05%	3.23%
Risk-free interest rate	4.73%	4.67%

The weighted-average grant-date fair value of performance awards granted during the six month periods ended June 30, 2007, and July 1, 2006, was \$45.86 and \$35.74. As performance share awards generally vest only at the end of the performance-award period, no shares vested or were paid out during the three and six month periods ended June 30, 2007, and the three month period ended July 1, 2006. During the first quarter of 2006, 0.1 million shares were paid out for the vesting of performance awards granted in 2004.

A summary of the status of the company's non-vested performance share awards as of June 30, 2007, and changes during the six month period ended June 30, 2007, are as follows:

	Shares (<i>in millions</i>)	Grant-Date Fair Value (*)
Non-vested performance awards at December 30, 2006	0.4	\$ 33.52
Granted	0.2	45.86
Vested	—	—
Forfeited or expired	(0.1)	35.83
Non-vested performance awards at June 30, 2007	0.5	38.25

(*) Weighted-average

As of June 30, 2007, there was \$10.7 million of unrecognized compensation cost related to non-vested performance share awards granted. That cost is expected to be recognized as a charge to earnings over a weighted-average period of 2.1 years.

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, for SARs granted prior to 2007, vest in two annual increments beginning on the first anniversary following the grant date of the award. SARs granted in 2007 vest over a three-year period beginning on the first anniversary following the grant date of the award. 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.

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

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 in effect on the grant 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 six month periods ended June 30, 2007, and July 1, 2006, using the Black-Scholes valuation model. No SARs were granted in the three month periods ended June 30, 2007, and July 1, 2006.

	Six Months Ended	
	June 30, 2007	July 1, 2006
Expected term of SARs (<i>in years</i>)	5.81	6.79
Expected volatility factor	24.44%	27.55%
Expected dividend yield	3.05%	3.21%
Risk-free interest rate	4.92%	5.11%

The total intrinsic value of SARs exercised during the three and six month periods ended June 30, 2007, was \$1.0 million and \$1.5 million, and \$0.9 million and \$1.4 million during the three and six month periods ended July 1, 2006. The total fair value of SARs vested during the six month period ended June 30, 2007, and July 1, 2006, was \$1.6 million and \$0.9 million. No SARs vested during the three month periods ended June 30, 2007, and July 1, 2006.

A summary of the status of the company's non-vested SARs as of June 30, 2007, and changes during 2007, are as follows:

	Shares (in millions)	Fair Value (*)
Non-vested SARs at December 30, 2006	0.1	\$ 13.85
Granted	0.1	11.71
Vested	—	—
Forfeited or expired	—	—
Non-vested SARs at June 30, 2007	<u>0.2</u>	<u>12.82</u>

(*) Weighted-average

As of June 30, 2007, there was \$1.7 million of unrecognized compensation cost related to non-vested SARs. That cost is expected to be recognized as a charge to earnings over a weighted-average period of 2.0 years.

Restricted Stock Awards

The company granted 16,443 shares of restricted stock to members of the board of directors during the second quarter ended June 30, 2007. All restrictions will lapse upon the recipient's retirement from the Board, death or a change in control.

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

14. 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	
	June 30, 2007	July 1, 2006	June 30, 2007	July 1, 2006
Weighted-average common shares outstanding	58,122,407	58,208,826	58,162,270	58,204,512
Dilutive effect of stock-based instruments	664,451	680,645	738,138	719,346
Weighted-average common shares outstanding, assuming dilution	<u>58,786,858</u>	<u>58,889,471</u>	<u>58,900,408</u>	<u>58,923,858</u>

The dilutive effect of the potential exercise of outstanding stock-based instruments to purchase common shares is calculated using the treasury stock method. Options to purchase 29,700 shares and 312,407 shares of Snap-on common stock were not included in the computation of diluted earnings per share for the three month periods ended June 30, 2007, and July 1, 2006, as the exercise price of the options was greater than the average market price of the common stock for the respective periods and the effect on earnings per share would be anti-dilutive. Options to purchase 29,700 shares and 851,877 shares of Snap-on common stock were not included in the computation of diluted earnings per share for the six month periods ended June 30, 2007, and July 1, 2006, as the exercise price of the options was greater than the average market price of the common stock for the respective periods and the effect on earnings per share would be anti-dilutive.

15. Comprehensive Income

Total comprehensive income for the three and six month periods ended June 30, 2007, and July 1, 2006, was as follows:

	Three Months Ended		Six Months Ended	
	June 30, 2007	July 1, 2006	June 30, 2007	July 1, 2006
<i>(Amounts in millions)</i>				
Net earnings	\$ 43.8	\$ 11.8	\$ 82.8	\$ 33.9
Foreign currency translation	19.8	34.7	25.6	38.1
Change in fair value of derivative instruments, net of tax	—	(0.3)	0.1	(0.2)
Total comprehensive income	<u>\$ 63.6</u>	<u>\$ 46.2</u>	<u>\$ 108.5</u>	<u>\$ 71.8</u>

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

16. 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. The following summarizes Snap-on's product warranty accrual activity for the three and six month periods ended June 30, 2007, and July 1, 2006:

<i>(Amounts in millions)</i>	Three Months Ended		Six Months Ended	
	June 30, 2007	July 1, 2006	June 30, 2007	July 1, 2006
Warranty reserve:				
Beginning of period	\$ 16.9	\$ 17.9	\$ 17.3	\$ 16.8
Additions	5.5	4.0	9.3	9.2
Usage	(3.4)	(3.2)	(7.6)	(7.3)
End of period	<u>\$ 19.0</u>	<u>\$ 18.7</u>	<u>\$ 19.0</u>	<u>\$ 18.7</u>

Snap-on has credit risk exposure for certain SOC-originated contracts for franchisee van loans with recourse provisions to Snap-on. At June 30, 2007, and December 30, 2006, \$16.3 million and \$16.2 million of loans, with terms ranging from eighteen months to ten years, have a primary 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 franchisee van loans with recourse as of June 30, 2007, was not material.

On May 16, 2006, Snap-on reached an agreement to settle certain legal matters related to certain then current and former franchisees on a class basis. The court gave its final approval to the class settlement on October 27, 2006. Under the terms of the settlement, Snap-on agreed to make payments to claimants and class counsel, plus incur certain other costs and expenses. Snap-on recorded a \$38.0 million pretax charge in the second quarter of 2006 representing its best estimate to settle these legal matters. As of June 30, 2007, the majority of the settlement funds, including payments to the class participants made in the first quarter of 2007, have been disbursed. Snap-on has not admitted any wrongdoing by way of this settlement.

Snap-on is also 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 will not have a material impact on Snap-on's consolidated financial position or results of operations.

17. Discontinued Operations

On June 29, 2007, Snap-on sold its Sun Electric Systems ("SES") business based in the Netherlands to DUINMAAIJER B.V., a limited liability company represented by an employee of SES, for a nominal cash purchase price. SES's primary business is the research, development and manufacture of test equipment in Europe for aircraft hydraulics. Snap-on divested of SES as it deemed SES to be non-core to Snap-on's ongoing business strategies. The anticipated future capital and other resources necessary to be expended in connection with the SES business were not consistent with Snap-on's growth plans. Certain prior year amounts have been reclassified on the accompanying Condensed Consolidated Statements of Earnings to reflect the company's sale of its SES business as "Discontinued Operations."

The company recorded an after-tax loss of \$9.0 million, or \$0.16 per diluted share, in the second quarter of 2007 related to the sale and results of operations of SES. For segment reporting purposes, the results of operations of SES were previously included in the Diagnostics & Information Group.

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

<i>(Amounts in millions)</i>	Three Months Ended		Six Months Ended	
	June 30, 2007	July 1, 2006	June 30, 2007	July 1, 2006
Loss on sale of SES, net of tax	\$ (9.2)	\$ —	\$ (9.2)	\$ —
Income from operations, net of tax	0.2	0.1	1.2	0.9
Discontinued operations, net of tax	(9.0)	0.1	(8.0)	0.9
Net sales	<u>\$ 5.8</u>	<u>\$ 2.7</u>	<u>\$ 9.9</u>	<u>\$ 8.9</u>

18. Other Income (Expense)

Other income (expense) — net consists of the following:

<i>(Amounts in millions)</i>	Three Months Ended		Six Months Ended	
	June 30, 2007	July 1, 2006	June 30, 2007	July 1, 2006
Equity earnings in affiliates	\$ 0.6	\$ —	\$ 1.8	\$ —
Minority interest	(1.2)	(0.9)	(2.3)	(1.7)
Foreign exchange loss	—	1.0	(0.6)	—
Interest income	2.9	1.6	4.2	2.7
Other expense	0.2	(1.4)	(0.4)	(1.9)
Total other income (expense) — net	<u>\$ 2.5</u>	<u>\$ 0.3</u>	<u>\$ 2.7</u>	<u>\$ (0.9)</u>

19. 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. Snap-on's reportable business segments include: (i) the Snap-on Tools Group; (ii) the Commercial & Industrial Group; (iii) the Diagnostics & Information Group; and (iv) Financial Services. The Snap-on Tools Group consists of the business operations serving the worldwide franchise van channel. The Commercial & Industrial Group consists of the business operations providing tools and equipment products and equipment repair services to a broad range of industrial and commercial customers worldwide through direct, distributor and other non-franchise distribution channels. The Diagnostics & Information Group consists of the business operations providing diagnostics equipment, vehicle service information, business management systems, electronic parts catalogs, and other solutions for vehicle service to customers in the worldwide vehicle service and repair marketplace. Financial Services consists of the business operations of SOC and Snap-on's wholly owned finance subsidiaries in those international markets where Snap-on has franchise operations.

Snap-on evaluates the performance of its operating segments based on segment revenues and operating earnings. For the Snap-on Tools, Commercial & Industrial, and Diagnostics & Information Groups, segment net sales include both external and intersegment net sales. 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. Intersegment amounts are eliminated to arrive at consolidated financial results.

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

Financial data by segment was as follows:

	Three Months Ended		Six Months Ended	
	June 30, 2007	July 1, 2006	June 30, 2007	July 1, 2006
<i>(Amounts in millions)</i>				
Net sales:				
Snap-on Tools Group	\$ 284.0	\$ 270.8	\$ 572.5	\$ 519.5
Commercial & Industrial Group	331.6	300.0	653.4	587.2
Diagnostics & Information Group	165.3	126.2	329.1	239.2
Segment net sales	780.9	697.0	1,555.0	1,345.9
Intersegment eliminations	(69.0)	(75.3)	(137.4)	(136.9)
Total net sales	\$ 711.9	\$ 621.7	\$ 1,417.6	\$ 1,209.0
Financial services revenue	14.8	11.7	28.2	22.9
Total revenues	\$ 726.7	\$ 633.4	\$ 1,445.8	\$ 1,231.9
Operating earnings:				
Snap-on Tools Group *	\$ 34.7	\$ (11.5)	\$ 64.0	\$ 6.7
Commercial & Industrial Group	32.5	27.6	60.6	50.7
Diagnostics & Information Group	29.3	13.7	49.9	23.2
Financial Services	5.1	3.0	8.8	5.0
Segment operating earnings*	101.6	32.8	183.3	85.6
Corporate	(14.2)	(12.8)	(27.2)	(27.0)
Operating earnings*	\$ 87.4	\$ 20.0	\$ 156.1	\$ 58.6
Interest expense	(11.7)	(4.7)	(23.0)	(9.1)
Other income (expense) — net	2.5	0.3	2.7	(0.9)
Earnings from continuing operations*	\$ 78.2	\$ 15.6	\$ 135.8	\$ 48.6

* Operating results for the three and six month periods ended July 1, 2006, include a \$38.0 million pretax litigation settlement charge.

	June 30, 2007	December 30, 2006
<i>(Amounts in millions)</i>		
Assets:		
Snap-on Tools Group	\$ 426.6	\$ 413.4
Commercial & Industrial Group	1,051.2	1,020.9
Diagnostics & Information Group	828.4	863.5
Financial Services	156.8	156.5
Total assets from reportable segments	\$ 2,463.0	\$ 2,454.3
Corporate	243.8	233.5
Elimination of intersegment receivables	(46.5)	(33.3)
Total assets	\$ 2,660.3	\$ 2,654.5

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

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

Forward-Looking Statement:

Statements in this document that are not historical facts, including statements (i) that 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; (ii) specifically identified as forward-looking; or (iii) describing Snap-on’s or management’s future outlook, plans, estimates, objectives or goals, are forward-looking statements 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 December 30, 2006, 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 savings from cost reduction actions, 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 cost and 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 enhance service and value to franchisees and thereby enhance their sales and profitability, introduce successful new products, successfully integrate acquisitions (including the company’s November 28, 2006, acquisition of Snap-on Business Solutions), as well as its ability to withstand disruption arising from natural disasters, planned facility closures or other labor interruptions, litigation challenges and external negative factors including 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 (e.g. health care and/or pension costs), 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.

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

RESULTS OF OPERATIONS

Highlights of Snap-on's results of operations for the second quarters of fiscal 2007 and fiscal 2006 are as follows:

<i>(Amounts in millions)</i>	Three Months Ended					
	June 30, 2007		July 1, 2006		Increase / (Decrease)	
Net sales	\$ 711.9	100.0%	\$ 621.7	100.0%	\$ 90.2	14.5%
Cost of goods sold	389.5	54.7%	341.8	55.0%	47.7	14.0%
Gross profit	322.4	45.3%	279.9	45.0%	42.5	15.2%
Financial services revenue	14.8	100.0%	11.7	100.0%	3.1	26.5%
Financial services expenses	9.7	65.5%	8.7	74.4%	1.0	11.5%
Operating income from financial services	5.1	34.5%	3.0	25.6%	2.1	70.0%
Operating expenses:						
Selling, general and administrative	240.1	33.7%	224.9	36.2%	15.2	6.8%
Litigation settlement	—	0.0%	38.0	6.1%	(38.0)	-100.0%
Total operating expenses	240.1	33.7%	262.9	42.3%	(22.8)	-8.7%
Operating earnings	87.4	12.0%	20.0	3.2%	67.4	337.0%
Interest expense	11.7	1.6%	4.7	0.7%	7.0	148.9%
Other (income) expense — net	(2.5)	-0.4%	(0.3)	0.0%	2.2	NM
Earnings from continuing operations	78.2	10.8%	15.6	2.5%	62.6	NM
Income tax expense	25.4	3.5%	3.9	0.7%	21.5	NM
Net earnings from continuing operations	52.8	7.3%	11.7	1.8%	41.1	351.3%
Loss (income) from discontinued operations, net of tax	9.0	1.3%	(0.1)	-0.1%	9.1	NM
Net earnings	<u>\$ 43.8</u>	6.0%	<u>\$ 11.8</u>	1.9%	<u>\$ 32.0</u>	271.2%

NM = not meaningful

Percentage Disclosure: Cost of goods sold, Gross profit and Operating expenses percentages are calculated as a percentage of Net sales. Financial services expenses and Operating income from financial services percentages are calculated as a percentage of Financial services revenue. All other income statement line item percentages are calculated as a percentage of the sum of Net sales and Financial services revenue.

Net sales in the second quarter of 2007 increased \$90.2 million, or 14.5%, from 2006 levels, including \$16.5 million from currency translation. Sales in the Snap-on Tools Group increased \$13.2 million, or 4.9%, from 2006 levels, primarily driven by a 4.6% increase in U.S. sales and continued strong growth in international sales. Sales in the Commercial & Industrial Group increased \$31.6 million year over year, primarily due to higher sales of professional tools in Europe, increased sales of tools for industrial applications, continued strong sales growth in emerging markets, and higher sales of equipment in Europe. In the Diagnostics & Information Group, sales increased \$39.1 million from 2006 levels, largely due to \$49.6 million of incremental sales from the November 2006 acquisition of Snap-on Business Solutions ("Business Solutions").

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

Gross profit in the second quarter of 2007 was \$322.4 million, or 45.3% of net sales, as compared to \$279.9 million, or 45.0% of net sales, in the second quarter of 2006. The \$42.5 million improvement in 2007 gross profit primarily reflects benefits from the higher sales, savings from efficiency, productivity and cost reduction initiatives of \$14.2 million, and currency translation of \$6.1 million. These increases were partially offset by \$5.4 million of increased production and material costs, and \$3.8 million of higher restructuring costs.

Operating expenses in the second quarter of 2007 were \$240.1 million, as compared to \$262.9 million in the second quarter of 2006. The \$22.8 million decrease includes \$4.8 million of benefits from ongoing efficiency and cost reduction initiatives, \$3.1 million of lower restructuring costs and the absence, in 2007, of a \$38.0 million charge recorded in the second quarter of 2006 related to the settlement of franchisee litigation matters. These decreases were partially offset by the inclusion of operating expenses in 2007 for Business Solutions, \$4.5 million of currency translation, and higher volume-related expenses as a result of the increased sales. As a percentage of net sales, operating expenses improved to 33.7% in the second quarter of 2007.

Interest expense of \$11.7 million in the second quarter of 2007 was up \$7.0 million from prior year, primarily due to increased debt levels to finance the Business Solutions acquisition.

Other (income) expense - net was income of \$2.5 million in the second quarter of 2007, as compared to income of \$0.3 million in the second quarter of 2006. Other income in 2007 primarily includes interest income and the recognition of income from equity method investments, net of minority interests. See Note 18 for further information.

Snap-on's effective tax rate on income from continuing operations was 32.5% in the second quarter of 2007 as compared with 25.0% in the second quarter of 2006. The company's effective tax rate in 2007 was favorably impacted by the resolution of previously unrecognized tax benefits in certain non-U.S. jurisdictions. Snap-on's effective tax rate of 25.0% in the second quarter of 2006 primarily reflects the mix of U.S. and non-U.S. earnings, including the impact of the \$38.0 million pretax litigation settlement charge, which was tax effected at a higher U.S. tax rate. See Note 8 to the Condensed Consolidated Financial Statements for further information on income taxes.

On June 29, 2007, Snap-on sold its Sun Electric Systems ("SES") business based in the Netherlands for a nominal cash purchase price. SES's primary business is the research, development and manufacture of test equipment in Europe for aircraft hydraulics. SES reported full-year sales of \$18.3 million in 2006 and was not a significant subsidiary of Snap-on. Snap-on divested of SES as it deemed SES to be non-core to the company's ongoing business strategies. The anticipated future capital and other resources necessary to be expended in connection with the SES business were not consistent with Snap-on's growth plans. As a result of the sale of SES, Snap-on recorded a \$9.0 million net loss (\$9.2 million net loss on sale partially offset by \$0.2 million of net earnings from operations) as discontinued operations in the second quarter of 2007. For the second quarter of 2006, SES had net income of \$0.1 million. The loss on sale of SES, as well as the historical net operating results of SES, are included in "Discontinued operations, net of tax" on the accompanying Condensed Consolidated Statements of Earnings. For segment reporting purposes, the results of operations of SES were previously included in the Diagnostics & Information Group.

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

Highlights of Snap-on's results of operations for the first six months of fiscal 2007 and fiscal 2006 are as follows:

<i>(Amounts in millions)</i>	June 30, 2007		Six Months Ended July 1, 2006		Increase / (Decrease)	
Net sales	\$ 1,417.6	100.0%	\$ 1,209.0	100.0%	\$ 208.6	17.3%
Cost of goods sold	785.3	55.4%	670.5	55.5%	114.8	17.1%
Gross profit	632.3	44.6%	538.5	44.5%	93.8	17.4%
Financial services revenue	28.2	100.0%	22.9	100.0%	5.3	23.1%
Financial services expenses	19.4	68.8%	17.9	78.2%	1.5	8.4%
Operating income from financial services	8.8	31.2%	5.0	21.8%	3.8	76.0%
Operating expenses:						
Selling, general and administrative	485.0	34.2%	446.9	37.0%	38.1	8.5%
Litigation settlement	—	0.0%	38.0	3.1%	(38.0)	-100.0%
Total operating expenses	485.0	34.2%	484.9	40.1%	(0.1)	0.0%
Operating earnings	156.1	10.8%	58.6	4.8%	97.5	166.4%
Interest expense	23.0	1.6%	9.1	0.8%	13.9	152.7%
Other (income) expense — net	(2.7)	-0.2%	0.9	0.1%	3.6	NM
Earnings from continuing operations	135.8	9.4%	48.6	3.9%	87.2	179.4%
Income tax expense	45.0	3.1%	15.6	1.2%	29.4	188.5%
Net earnings from continuing operations	90.8	6.3%	33.0	2.7%	57.8	175.2%
Loss (income) from discontinued operations, net of tax	8.0	0.5%	(0.9)	-0.1%	8.9	NM
Net earnings	<u>\$ 82.8</u>	5.8%	<u>\$ 33.9</u>	2.8%	<u>\$ 48.9</u>	144.2%

NM = not meaningful

Percentage Disclosure: Cost of goods sold, Gross profit and Operating expenses percentages are calculated as a percentage of Net sales. Financial services expenses and Operating income from financial services percentages are calculated as a percentage of Financial services revenue. All other income statement line item percentages are calculated as a percentage of the sum of Net sales and Financial services revenue.

Net sales in the first six months of 2007 increased \$208.6 million, or 17.3%, from 2006 levels, including \$33.1 million from currency translation. Sales in the Snap-on Tools Group increased \$53.0 million, or 10.2%, from prior-year levels, primarily driven by a 10.5% increase in U.S. sales and continued strong growth in international sales. Sales in the Commercial & Industrial Group increased \$66.2 million year over year, primarily due to higher sales of professional tools in Europe, increased sales of tools for industrial applications, continued strong sales growth in emerging markets, and higher sales of equipment in Europe. In the Diagnostics & Information Group, sales were up \$89.9 million from 2006 levels, largely due to \$98.9 million of incremental sales from the Business Solutions acquisition.

Gross profit in the first six months of 2007 was \$632.3 million as compared to \$538.5 million in 2006. The \$93.8 million improvement in 2007 gross profit primarily reflects benefits from higher sales, \$21.0 million of savings from efficiency,

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

productivity and cost reduction initiatives, and \$12.6 million of currency translation. These increases were partially offset by \$9.9 million of increased production and material costs, and \$7.6 million of higher restructuring costs. As a percentage of net sales, gross profit in 2007 of 44.6% was up slightly from 2006 levels.

Operating expenses in the first six months of 2007 were \$485.0 million as compared to \$484.9 million in 2006. Operating expenses in 2007 reflect the inclusion of operating expenses for Business Solutions, as well as \$9.3 million of unfavorable currency translation. These increases in year-over-year operating expenses were largely offset by the absence, in 2007, of the \$38.0 million franchisee litigation settlement charge recorded in the second quarter of 2006, higher benefits of \$7.9 million from ongoing efficiency and cost reduction initiatives, and \$3.7 million of lower year-over-year restructuring costs. As a percentage of net sales, operating expenses of 34.2% were significantly improved from 2006 levels.

Interest expense of \$23.0 million in the first six months of 2007 was up \$13.9 million from the prior year, primarily due to increased debt levels to finance the Business Solutions acquisition.

Other (income) expense - net was income of \$2.7 million in the first six months of 2007, as compared to expense of \$0.9 million in 2006. Other income in 2007 primarily includes interest income and the recognition of income from equity method investments, net of minority interests. See Note 18 for further information.

Snap-on's effective tax rate on income from continuing operations was 33.1% in the first six months of 2007 as compared with 32.1% in 2006. The company's 2007 effective tax rate was favorably impacted by the resolution of previously unrecognized tax benefits in certain non-U.S. jurisdictions. The effective tax rate in 2006 primarily reflects the mix of U.S. and non-U.S. earnings, including the impact of the \$38.0 million pretax litigation settlement charge, which was tax effected at a higher U.S. tax rate. See Note 8 to the Condensed Consolidated Financial Statements for further information on income taxes.

Snap-on sold its SES business on June 29, 2007. For the six months ended June 2007, Snap-on recorded a net loss of \$8.0 million related to the sale and operations of this business. For the first six months of 2006, SES had net income of \$0.9 million.

Exit and Disposal Activities

During the three and six month periods of 2007, Snap-on recorded costs associated with exit and disposal activities of \$6.5 million and \$14.7 million. Of the \$6.5 million and \$14.7 million of costs incurred in the second quarter of 2007, \$1.8 million and \$6.2 million qualified for accrual treatment. Costs associated with exit and disposal activities in 2007 primarily related to headcount reductions from (i) the transfer of certain production activities from Sweden to lower-cost regions and emerging markets; (ii) the third quarter 2007 closure of the Johnson City, Tennessee, hand tool facility; (iii) the consolidation of multiple customer call centers in the United States; and (iv) various management realignment actions at other Snap-on facilities. Accrual usage of \$4.0 million and \$6.3 million during the three and six month periods ended June 30, 2007, for these actions primarily reflects severance and related payments for the separation of approximately 185 employees. While the majority of the exit and disposal accrual will be utilized in 2007, certain severance and facility-related costs will extend beyond 2007 primarily due to longer-term severance and lease obligations. Snap-on expects that it will incur approximately \$28 million of exit and disposal charges in 2007.

Snap-on is continually evaluating the long-term strategic fit of its various businesses and/or product lines. Additional exit or disposal charges may be incurred in the event the company decides to exit certain non-strategic businesses and/or product lines that no longer fit with the company's core strategies. See Note 7 to the Condensed Consolidated Financial Statements for further information on 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. Snap-on's reportable business segments include: (i) the Snap-on Tools Group; (ii) the Commercial & Industrial Group; (iii) the Diagnostics & Information Group; and (iv) Financial Services. The Snap-on Tools Group consists of the business operations serving the worldwide franchise van channel. The Commercial & Industrial Group consists of the business operations providing tools and equipment products and equipment repair services to a broad range of industrial and commercial customers worldwide through direct, distributor and other non-franchise distribution channels. The Diagnostics & Information Group consists of the business operations providing diagnostics equipment, vehicle service information, business management systems, electronic parts catalogs, and other solutions for vehicle service to customers in the worldwide vehicle service and repair marketplace. Financial Services consists of the business operations of Snap-on Credit ("SOC") and Snap-on's wholly owned finance subsidiaries in those international markets where Snap-on has franchise operations.

Snap-on evaluates the performance of its operating segments based on segment revenues and operating earnings. For the Snap-on Tools, Commercial & Industrial, and Diagnostics & Information Groups, segment net sales include both external and intersegment net sales. 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. Intersegment amounts are eliminated to arrive at consolidated financial results.

Snap-on Tools Group

<i>(Amounts in millions)</i>	Three Months Ended					
	June 30, 2007		July 1, 2006		Increase / (Decrease)	
Segment net sales	\$ 284.0	100.0%	\$ 270.8	100.0%	\$ 13.2	4.9%
Cost of goods sold	159.0	56.0%	148.4	54.8%	10.6	7.1%
Gross profit	125.0	44.0%	122.4	45.2%	2.6	2.1%
Operating expenses						
Selling, general and administrative	90.3	31.8%	95.9	35.4%	(5.6)	-5.8%
Litigation settlement	—	0.0%	38.0	14.0%	(38.0)	-100.0%
Total operating expenses	90.3	31.8%	133.9	49.4%	(43.6)	-32.6%
Segment operating earnings	\$ 34.7	12.2%	\$ (11.5)	-4.2%	\$ 46.2	NM

NM = not meaningful

Segment net sales in the second quarter of 2007 increased \$13.2 million, or 4.9%, from 2006 levels largely due to a 4.6% increase in U.S. sales, including higher sales from a new mid-tier product offering and the re-launch of the company's in-house warehouse distribution program. The increase in U.S. sales also reflects the impacts of lower levels of franchisee turnover and product returns. Sales in the company's international franchise operations increased 7.9% year over year, primarily due to continued strong sales growth in Australia and \$2.6 million of currency translation.

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

Segment gross profit of \$125.0 million in the second quarter of 2007 was up \$2.6 million over 2006 levels primarily due to the higher sales and lower costs, including benefits from rapid continuous improvement actions ("RCI") of \$4.7 million, partially offset by \$2.7 million of higher production and material costs. Operating expenses in the second quarter of 2007 were down \$43.6 million from prior-year levels primarily due to the absence, in 2007, of the \$38.0 million franchisee litigation settlement charge recorded in the second quarter of 2006, as well as \$3.4 million of lower bad debt expense, \$1.0 million of lower year-over-year restructuring costs, and \$2.6 million of lower spending in 2007 related to the company's strategic supply chain and franchise system initiatives. As a result of these factors, segment operating earnings in the second quarter of 2007 increased \$46.2 million from 2006 levels.

<i>(Amounts in millions)</i>	<u>June 30, 2007</u>		<u>Six Months Ended July 1, 2006</u>		<u>Increase / (Decrease)</u>	
Segment net sales	\$ 572.5	100.0%	\$ 519.5	100.0%	\$ 53.0	10.2%
Cost of goods sold	322.3	56.3%	286.1	55.1%	36.2	12.7%
Gross profit	250.2	43.7%	233.4	44.9%	16.8	7.2%
Operating expenses						
Selling, general and administrative	186.2	32.5%	188.7	36.3%	(2.5)	-1.3%
Litigation settlement	—	0.0%	38.0	7.3%	(38.0)	-100.0%
Total operating expenses	186.2	32.5%	226.7	43.6%	(40.5)	-17.9%
Segment operating earnings	<u>\$ 64.0</u>	11.2%	<u>\$ 6.7</u>	1.3%	<u>\$ 57.3</u>	NM

NM = not meaningful

Segment net sales in the first six months of 2007 increased \$53.0 million, or 10.2%, from 2006 levels primarily driven by a 10.5% increase in U.S. sales, including higher sales from a new mid-tier product offering and the re-launch of the company's in-house warehouse distribution program. The increase in U.S. sales also reflects the impacts of lower levels of franchisee turnover and product returns. Currency translation contributed \$6.2 million to the year-over-year sales increase. Sales in the company's international franchise operations increased 13.2% year over year, primarily due to continued strong growth in the United Kingdom and Australia and currency translation.

Segment gross profit of \$250.2 million in the first six months of 2007 was up \$16.8 million over 2006 levels primarily due to the higher sales and lower costs, including benefits from rapid continuous improvement actions of \$8.1 million, and \$2.2 million of currency translation. These improvements to gross profit were partially offset by \$4.3 million of higher production and material costs and \$1.2 million of higher year-over-year restructuring costs. Operating expenses in the first six months of 2007 were down \$40.5 million from prior-year levels primarily due to the absence, in 2007, of the \$38.0 million franchisee litigation settlement charge, lower year-over-year restructuring costs of \$1.7 million, and \$3.1 million of lower spending in 2007 related to the company's strategic supply chain and franchise system initiatives. These decreases in operating expenses were partially offset by \$1.2 million of currency translation. As a result of these factors, segment operating earnings in the first six months of 2007 increased \$57.3 million from 2006 levels.

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

Commercial & Industrial Group

<i>(Amounts in millions)</i>	June 30, 2007		Three Months Ended July 1, 2006		Increase / (Decrease)	
External net sales	\$ 296.4	89.4%	\$ 260.2	86.7%	\$ 36.2	13.9%
Intersegment net sales	35.2	10.6%	39.8	13.3%	(4.6)	-11.6%
Segment net sales	331.6	100.0%	300.0	100.0%	31.6	10.5%
Cost of goods sold	211.2	63.7%	190.2	63.4%	21.0	11.0%
Gross profit	120.4	36.3%	109.8	36.6%	10.6	9.7%
Operating expenses	87.9	26.5%	82.2	27.4%	5.7	6.9%
Segment operating earnings	<u>\$ 32.5</u>	<u>9.8%</u>	<u>\$ 27.6</u>	<u>9.2%</u>	<u>\$ 4.9</u>	<u>17.8%</u>

Segment net sales in the second quarter of 2007 increased \$31.6 million, or 10.5%, from 2006 levels, including \$20.4 million of higher sales and \$11.2 million of currency translation. The \$20.4 million sales increase primarily reflects higher sales of professional tools in Europe, increased sales of tools for industrial applications, continued strong sales growth in emerging markets, and higher sales of equipment in Europe.

Segment gross profit of \$120.4 million in the second quarter of 2007 was up \$10.6 million over 2006 levels. The improvement in gross profit primarily reflects benefits from productivity and efficiency initiatives of \$9.4 million, the impact of higher sales, and \$4.2 million of currency translation. These increases were partially offset by \$3.5 million of higher restructuring costs, primarily related to manufacturing footprint initiatives in Europe, and \$2.7 million of higher production and material costs. Operating expenses of \$87.9 million were up \$5.7 million from 2006 levels, but improved 90 basis points (100 basis points equals 1.0 percent) as a percentage of segment sales. The increase in operating expenses primarily includes \$3.2 million of currency translation, higher volume-related expenses, and increased spending to support the expansion of the company's sales and manufacturing presence in emerging growth markets and lower-cost regions. As a result of these factors, segment operating earnings in the second quarter of 2007 increased \$4.9 million over 2006 levels.

<i>(Amounts in millions)</i>	June 30, 2007		Six Months Ended July 1, 2006		Increase / (Decrease)	
External net sales	\$ 579.9	88.8%	\$ 515.8	87.8%	\$ 64.1	12.4%
Intersegment net sales	73.5	11.2%	71.4	12.2%	2.1	2.9%
Segment net sales	653.4	100.0%	587.2	100.0%	66.2	11.3%
Cost of goods sold	419.4	64.2%	371.6	63.3%	47.8	12.9%
Gross profit	234.0	35.8%	215.6	36.7%	18.4	8.5%
Operating expenses	173.4	26.5%	164.9	28.1%	8.5	5.2%
Segment operating earnings	<u>\$ 60.6</u>	<u>9.3%</u>	<u>\$ 50.7</u>	<u>8.6%</u>	<u>\$ 9.9</u>	<u>19.5%</u>

Segment net sales in the first six months of 2007 increased \$66.2 million, or 11.3%, from 2006 levels, including \$42.5 million of higher sales and \$23.7 million of currency translation. The \$42.5 million sales increase primarily reflects higher sales of professional tools in Europe, increased sales of tools for industrial applications, continued strong sales growth in emerging markets, and higher sales of equipment in Europe.

Segment gross profit of \$234.0 million in the first six months of 2007 was up \$18.4 million over 2006 levels. The improvement in gross profit primarily reflects benefits from higher sales and pricing, \$9.3 million of currency translation, and \$12.8 million of savings from productivity and efficiency initiatives. These increases were partially offset by \$4.9 million of

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

increased production and material costs, and \$7.7 million of higher restructuring costs, primarily related to manufacturing footprint initiatives in Europe. Operating expenses of \$173.4 million were up \$8.5 million from 2006 levels, but improved 160 basis points as a percentage of segment sales. The increase in operating expenses primarily includes \$6.9 million of currency translation, higher volume-related expenses, and increased spending to support the expansion of the company's sales and manufacturing presence in emerging growth markets and lower-cost regions. These increases were partially offset by \$1.6 million of savings from efficiency and cost reduction initiatives. As a result of these factors, segment operating earnings in the first six months of 2007 increased \$9.9 million over 2006 levels.

Diagnostics & Information Group

<i>(Amounts in millions)</i>	Three Months Ended					
	June 30, 2007		July 1, 2006		Increase / (Decrease)	
External net sales	\$ 131.5	79.6%	\$ 90.7	71.9%	\$ 40.8	45.0%
Intersegment net sales	33.8	20.4%	35.5	28.1%	(1.7)	-4.8%
Segment net sales	165.3	100.0%	126.2	100.0%	39.1	31.0%
Cost of goods sold	88.3	53.4%	78.5	62.2%	9.8	12.5%
Gross profit	77.0	46.6%	47.7	37.8%	29.3	61.4%
Operating expenses	47.7	28.9%	34.0	26.9%	13.7	40.3%
Segment operating earnings	\$ 29.3	17.7%	\$ 13.7	10.9%	\$ 15.6	113.9%

Diagnostics & Information Group segment sales of \$165.3 million were up \$39.1 million from prior year. Higher sales of Mitchell1™ information products, increased sales of handheld diagnostics and related software, and \$49.6 million of incremental sales from the November 2006 acquisition of Business Solutions, all contributed to the year-over-year sales increase. These sales increases were partially offset by \$16.3 million of lower sales from the wind down of an OEM facilitation program and the outsourcing of certain non-strategic, low-margin equipment products previously manufactured and sold to the Snap-on Tools Group. Currency translation contributed \$2.8 million of the year-over-year sales increase.

Segment gross profit of \$77.0 million in the second quarter of 2007 increased \$29.3 million from 2006 levels primarily due to the higher sales, as well as an improved sales mix of higher-margin products. As a percentage of segment net sales, the gross profit margin of 46.6% was up 880 basis points from 2006 levels. Operating expenses of \$47.7 million were up \$13.7 million from 2006 levels primarily due to the inclusion of \$17.0 million of operating expenses for Business Solutions, partially offset by \$2.0 million of savings from efficiency and productivity initiatives, and \$2.1 million of lower year-over-year restructuring costs. As a result of these factors, segment operating earnings in the second quarter of 2007 increased \$15.6 million over 2006 levels.

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

<i>(Amounts in millions)</i>	Six Months Ended					
	June 30, 2007		July 1, 2006		Increase / (Decrease)	
External net sales	\$ 265.2	80.6%	\$ 173.7	72.6%	\$ 91.5	52.7%
Intersegment net sales	63.9	19.4%	65.5	27.4%	(1.6)	-2.4%
Segment net sales	329.1	100.0%	239.2	100.0%	89.9	37.6%
Cost of goods sold	181.0	55.0%	149.7	62.6%	31.3	20.9%
Gross profit	148.1	45.0%	89.5	37.4%	58.6	65.5%
Operating expenses	98.2	29.8%	66.3	27.7%	31.9	48.1%
Segment operating earnings	\$ 49.9	15.2%	\$ 23.2	9.7%	\$ 26.7	115.1%

Diagnostics & Information Group segment sales of \$329.1 million were up \$89.9 million from 2006 levels primarily due to \$98.9 million of incremental sales from Business Solutions, increased sales of handheld diagnostics and related software, and higher sales of information products from Mitchell1TM. Currency translation contributed \$4.5 million to the year-over-year sales increase. These increases were partially offset by the wind down of an OEM facilitation program and the outsourcing of certain non-strategic, low-margin equipment products previously manufactured and sold to the Snap-on Tools Group.

Segment gross profit of \$148.1 million in the first six months of 2007 increased \$58.6 million from 2006 levels primarily due to the higher sales and an improved sales mix of higher-margin products. As a percentage of segment net sales, the gross profit margin of 45.0% was up 760 basis points from 2006 levels. Operating expenses of \$98.2 million were up \$31.9 million from 2006 levels primarily due to the inclusion of \$35.7 million of operating expenses for Business Solutions, partially offset by \$2.9 million of savings from efficiency and productivity initiatives. As a result of these factors, segment operating earnings in the first six months of 2007 increased \$26.7 million over 2006 levels.

Financial Services

<i>(Amounts in millions)</i>	Three Months Ended					
	June 30, 2007		July 1, 2006		Increase / (Decrease)	
Financial services revenue	\$ 14.8	100.0%	\$ 11.7	100.0%	\$ 3.1	26.5%
Financial services expenses	9.7	65.5%	8.7	74.4%	1.0	11.5%
Segment operating income	\$ 5.1	34.5%	\$ 3.0	25.6%	\$ 2.1	70.0%

Operating income was \$5.1 million on revenue of \$14.8 million in the second quarter of 2007, as compared with \$3.0 million of operating income on revenue of \$11.7 million in 2006. The increase in operating income primarily reflects the impact of higher effective yields. Originations of \$140.6 million in the second quarter of 2007 were essentially flat with prior-year levels.

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

<i>(Amounts in millions)</i>	Six Months Ended					
	June 30, 2007		July 1, 2006		Increase / (Decrease)	
Financial services revenue	\$ 28.2	100.0%	\$ 22.9	100.0%	\$ 5.3	23.1%
Financial services expenses	19.4	68.8%	17.9	78.2%	1.5	8.4%
Segment operating income	<u>\$ 8.8</u>	<u>31.2%</u>	<u>\$ 5.0</u>	<u>21.8%</u>	<u>\$ 3.8</u>	<u>76.0%</u>

Operating income was \$8.8 million on revenue of \$28.2 million for the first six months of 2007, as compared with \$5.0 million of operating income on revenue of \$22.9 million in 2006. The increase in operating income primarily reflects the impact of higher effective yields. Originations of \$273.0 million in the first six months of 2007 were essentially flat with prior-year levels.

Corporate

Snap-on's general corporate expenses totaled \$14.2 million and \$12.8 million in the three month periods ended June 30, 2007, and July 1, 2006, and \$27.2 million and \$27.0 million in the six month periods ended June 30, 2007, and July 1, 2006. These increases were primarily due to higher health care and performance-based incentive costs, partially offset by savings from cost reduction initiatives.

FINANCIAL CONDITION

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, are sufficient to fund its anticipated requirements for working capital, capital expenditures, restructuring activities, acquisitions, common stock repurchases and dividend payments. Due to Snap-on's credit rating over the years, external funds have been available at a reasonable cost. As of the date of the filing of this Form 10-Q, Snap-on's long-term debt and commercial paper was rated A3 and P-2 by Moody's Investors Service and A- and A-2 by Standard & Poor's. Snap-on believes that the strength of its balance sheet affords the company the financial flexibility to respond to both internal growth opportunities and those available through acquisitions.

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

The following discussion focuses on information included in the accompanying Condensed Consolidated Balance Sheets. Snap-on has been focused on improving asset utilization by making more effective use of its investment in certain working capital items. As of June 30, 2007, working capital (defined as current assets less current liabilities) of \$479.7 million increased from \$431.2 million as of December 30, 2006. The company assesses operating performance and effectiveness relative to those components of working capital, particularly accounts receivable and inventories that are more directly impacted by operational decisions. The following represents the company's working capital position as of June 30, 2007, and December 30, 2006.

<i>(Amounts in millions)</i>	June 30, 2007	December 30, 2006
Cash and cash equivalents	\$ 72.0	\$ 63.4
Accounts receivable — net of allowances	561.2	559.2
Inventories	323.9	323.0
Other current assets	146.3	167.6
Total current assets	<u>1,103.4</u>	<u>1,113.2</u>
Accounts payable	(185.3)	(178.8)
Notes payable and current maturities of long-term debt	(19.7)	(43.6)
Other current liabilities	(418.7)	(459.6)
Total current liabilities	<u>(623.7)</u>	<u>(682.0)</u>
Total working capital	<u>\$ 479.7</u>	<u>\$ 431.2</u>

Accounts receivable at the end of the second quarter of 2007 was \$561.2 million, up \$2.0 million from year-end 2006 levels. At the end of the second quarter of 2007, days sales outstanding was 73 days, down slightly from 75 days at December 30, 2006, and improved from 78 days as of the end of the second quarter of 2006.

Inventories were \$323.9 million at the end of the second quarter of 2007, up \$0.9 million from year-end 2006 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) at June 30, 2007, were 4.6 turns consistent with year end 2006, but improved from 3.9 turns as of the end of the second quarter of 2006. Inventories accounted for using the first-in, first-out ("FIFO") method as of June 30, 2007, and December 30, 2006, approximated 64% and 62% of total inventories. All other inventories are accounted for using the last-in, first-out ("LIFO") cost method. The company's LIFO reserve was \$84.6 million at June 30, 2007, and \$86.7 million at year-end 2006.

Notes payable and long-term debt at June 30, 2007, was \$521.1 million; no commercial paper was outstanding at June 30, 2007. As of December 30, 2006, notes payable and long-term debt was \$549.2 million, including \$314.9 million of commercial paper. On January 12, 2007, Snap-on sold \$300 million in floating and fixed rate notes consisting of \$150 million of floating rate notes that mature in their entirety on January 12, 2010, and \$150 million of fixed rate notes that mature in their entirety on January 15, 2017. Interest on the floating rate notes accrue at a floating rate equal to the three-month London Interbank offer rate plus 0.13% per year; interest is payable quarterly. Interest on the fixed rate notes accrue at a rate of 5.50% per year; interest is payable semi-annually beginning July 15, 2007. Snap-on used the proceeds from the sale of notes, net of \$1.5 million of transaction costs, to repay commercial paper obligations issued to finance the acquisition of Business Solutions. On January 12, 2007, the company also terminated the \$250 million bridge credit agreement that Snap-on established prior to its acquisition of Business Solutions.

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

Long-term debt of \$501.4 million as of June 30, 2007, includes \$200 million of unsecured 6.25% notes, \$150 million of unsecured 5.50% notes, \$150 million of unsecured floating rate notes, and \$1.4 million of other long-term debt. Notes payable to banks under uncommitted lines of credit were \$18.7 million at June 30, 2007, and \$28.6 million at December 30, 2006. CIT and Snap-on have agreed to lend funds to support SOC's working capital requirements on a 50/50 basis. As of June 30, 2007, and December 30, 2006, SOC owed both Snap-on and CIT \$1.0 million and \$0.1 million each pursuant to this agreement.

At June 30, 2007, Snap-on had a \$400 million multi-currency revolving credit facility that terminates on July 27, 2009. The \$400 million credit facility's financial covenant requires that Snap-on maintain a ratio of debt to the sum of total debt plus shareholders' equity of not greater than 0.60 to 1.00. As of June 30, 2007, Snap-on was in compliance with all covenants of its revolving credit facility.

At June 30, 2007, Snap-on also had \$20 million of unused committed bank lines of credit, of which \$10 million expires on July 29, 2007, and \$10 million expires on August 31, 2007; Snap-on intends to renew both of these lines of credit during the third quarter of 2007. At June 30, 2007, Snap-on had approximately \$420 million of unused available debt capacity under the terms of its revolving credit facility and its committed bank lines of credit.

Snap-on maintains sufficient committed 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. The company accesses short-term debt markets, predominantly through commercial paper issuances, to fund its short-term requirements and to ensure near-term liquidity. Near-term liquidity requirements for Snap-on include the funding of its investments in capital expenditures, restructuring activities, payments for acquisitions, payments of dividends, interest, and share repurchases. Snap-on expects to make contributions to its foreign pension plans in 2007 of \$7.5 million; Snap-on is not required to make a contribution to its domestic pension plans in 2007. Depending on market and other conditions, Snap-on may elect to make discretionary cash contributions to its domestic pension plans.

The following discussion focuses on information included in the accompanying Condensed Consolidated Statements of Cash Flows. Cash flow provided from operating activities was \$117.5 million in the first six months of 2007 as compared to \$73.0 million in the first six months of 2006. Capital expenditures were \$27.6 million in the first six months of 2007 as compared with \$19.9 million in the comparable prior-year period. Capital expenditures in 2007 mainly reflect efficiency and cost-reduction capital investments, including the installation of new production equipment and machine tooling to enhance manufacturing and distribution operations, as well as ongoing replacements of manufacturing and distribution equipment. In addition, the company continues to invest in computer hardware and software to upgrade internal systems and implement the company's global enterprise resource planning management information system. Snap-on anticipates full-year 2007 capital expenditures to be in a range of \$55 million to \$60 million, as compared to \$50.5 million in 2006. Full-year depreciation and amortization expense is anticipated to be approximately \$70 million in 2007, as compared to \$51.9 million in 2006.

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 well as to repurchase shares when market conditions are favorable. During the first six months of 2007, Snap-on repurchased 1,245,000 shares of common stock for \$64.3 million under its previously announced share repurchase programs, as compared to repurchases of 1,473,618 shares of common stock for \$58.3 million in the first six months of 2006. As of the end of the second quarter of 2007, Snap-on has remaining availability to repurchase up to an additional \$142.0 million in common stock pursuant to the Board of Directors' authorizations. The purchase of Snap-on common stock is at the company's discretion, subject to prevailing financial and market conditions.

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

Snap-on has paid consecutive quarterly cash dividends, without interruption or reduction, since 1939. Cash dividends paid totaled \$31.6 million in the first six months of 2007 and \$31.8 million in the first six months of 2006. The second quarter 2007 dividend was payable June 11, 2007, to shareholders of record on May 21, 2007. The company expects the Board of Directors to declare the 2007 third quarter dividend in August 2007.

Off-Balance Sheet Arrangements

The company had no off-balance sheet arrangements as of June 30, 2007.

Outlook

Snap-on expects to continue implementing its strategic and RCI initiatives in the balance of 2007, including its focus on global growth initiatives, product innovation, strengthening the franchise proposition, leveraging its brands, enhancing customer service, improving manufacturing and process effectiveness, and lowering administrative costs. As a result, Snap-on anticipates continued year-over-year operating and earnings improvement for the remainder of 2007.

Snap-on incurred \$14.7 million of exit and disposal costs in the first six months of 2007 and, as previously communicated, the company expects to incur approximately \$28 million of such costs in 2007 as part of its ongoing efforts to lower its cost structure and improve process effectiveness. Snap-on anticipates 2007 capital expenditures to be in a range of \$55 million to \$60 million, and depreciation and amortization expense to approximate \$70 million. As a result of higher debt levels, primarily from the Business Solutions acquisition, Snap-on anticipates incurring approximately \$24 million of higher year-over-year interest expense in 2007. Snap-on expects that its effective tax rate for the second-half of 2007 will approximate 34.5%.

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 and interest rate swap agreements. Snap-on does not use derivative instruments for speculative or trading purposes. Snap-on's broad-based business activities help to reduce the impact that volatility in any particular area or related areas may have on its operating earnings as a whole. Snap-on's management takes an active role in the risk management process and has developed policies and procedures that require specific administrative and business functions to assist in the identification, assessment and control of various risks.

Foreign Currency Risk Management: Snap-on has significant international operations 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 in an attempt to protect the residual net exposures. Snap-on's financial position and results of operations have not been materially affected by such events to date. See Note 10 to the Condensed Consolidated Financial Statements for information on foreign currency risk management.

Interest Rate Risk Management: Snap-on's interest rate risk management policies are designed to reduce the potential volatility of earnings that could arise from changes in interest rates. Through the use of interest rate swaps, Snap-on aims to stabilize funding costs by managing the exposure created by the differing maturities and interest rate structures of Snap-on's assets and liabilities. See Note 10 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/covariance 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 June 30, 2007, was \$0.6 million on interest rate-sensitive financial instruments and \$0.3 million on foreign currency-sensitive financial instruments. The VAR model is a risk management tool and does not purport to represent actual losses in fair value that will be incurred by Snap-on, nor does it consider the potential effect of favorable changes in market factors.

Credit Risk: Credit risk is the possibility of loss from a customer's failure to make payments according to contract terms. Prior to granting credit, each customer is evaluated, taking into consideration the borrower's financial condition, collateral, debt-servicing capacity, past payment experience, credit bureau information, and other financial and qualitative factors that may affect the borrower's ability to repay. Specific credit reviews and standard industry credit scoring models are used in performing this evaluation. Loans that have been granted are typically monitored through an asset-quality-review process that closely monitors past due accounts and initiates collection actions when appropriate. In addition to its direct credit risk exposure, Snap-on also has credit risk exposure for certain SOC-originated contracts for franchisee van loans with recourse provisions to Snap-on. At June 30, 2007, \$16.3 million of loans originated by SOC have a recourse provision to Snap-on if the loans become more than 90 days past due.

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 of Directors, 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 Rule 13a-15(e) under the Exchange Act) as of June 30, 2007. 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 June 30, 2007 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, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control

Internal Control Over Financial Reporting: Snap-on is in the process of developing and implementing an improved enterprise resource planning management information system to further enhance the operational capabilities of its businesses. In the second quarter of 2007, the company implemented this system at certain of its North American locations. As a result of, and in connection with, the implementation of the new system and processes, the company modified its internal control over financial reporting (as such term is defined in Exchange Act Rule 13a-15(f)). Additional implementations will occur at other worldwide locations over a multi-year period.

There have not been any other changes in internal control over financial reporting that occurred during the quarter ended June 30, 2007, that have materially affected, or are reasonably likely to materially affect, Snap-on's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1: Legal Proceedings

On May 16, 2006, Snap-on reached an agreement to settle certain legal matters related to certain then current and former franchisees on a class basis. The court gave its final approval to the class settlement on October 27, 2006. Under the terms of the settlement, Snap-on agreed to make payments to claimants and class counsel, plus incur certain other costs and expenses. Snap-on recorded a \$38.0 million pretax charge in the second quarter of 2006 representing its best estimate to settle these legal matters. As of June 30, 2007, the majority of the settlement funds, including payments to the class participants made in the first quarter of 2007, have been disbursed. Snap-on has not admitted any wrongdoing by way of this settlement.

Snap-on is also 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 will not have a material impact on Snap-on's consolidated financial position or results of operations.

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

The following chart discloses information regarding the shares of Snap-on's common stock repurchased by the company during the second quarter of 2007, all of which were purchased pursuant to Board of Directors' authorizations. 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 well as to repurchase shares when the company 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.

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Value of Shares that may be Purchased Under the Plans ⁽¹⁾ (in millions)
04/01/07 to 04/28/07	—	N/A	—	\$ 154.5 million
04/29/07 to 05/26/07	—	N/A	—	\$ 166.9 million
05/27/07 to 06/30/07	620,000	\$ 53.31	620,000	\$ 142.0 million
Total / Average	620,000	\$ 53.31	620,000	N/A

(1) Subject to further adjustment pursuant to the 1996 Authorization described below, as of the end of the second quarter of 2007, the approximate value of shares that may yet be purchased pursuant to the three outstanding Board of Directors' authorizations discussed below is \$142.0 million.

- In its Annual Report on Form 10-K for the fiscal year ended December 28, 1996, the company disclosed that the company's 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 company's Board. When calculating the approximate value of shares that the company may yet purchase under the 1996 Authorization, the company assumed a price of \$55.32, \$52.63 and \$50.51 per share of common stock as of the end of the 2007 fiscal months ended April 28, May 26 and June 30, respectively.
- By press release dated June 29, 1998, the company announced that the company's 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.
- By press release dated February 3, 1999, the company announced that the company's 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.

Item 4: Submission of Matters to a Vote of Security Holders

Snap-on held its Annual Meeting of Shareholders on April 26, 2007. The shareholders (i) elected three members of Snap-on's Board of Directors, whose terms were up for reelection, to serve until the Annual Meeting in the year 2010 and (ii) ratified the Audit Committee's selection of Deloitte & Touche LLP as the company's independent registered public accounting firm for 2007. There were 58,555,781 outstanding shares eligible to vote. The persons elected to the Corporation's Board of Directors, the number of votes cast for and the number of votes withheld with respect to each of these persons are set forth below:

<u>Director</u>	<u>For</u>	<u>Withheld</u>	<u>Term</u>
John F. Fiedler	54,204,514	959,436	2010
W. Dudley Lehman	54,209,145	954,805	2010
Edward H. Rensi	50,833,388	4,330,562	2010

The terms of office for the following directors continue until the Annual Meeting in the year set forth below:

<u>Director</u>	<u>Term</u>
Roxanne J. Decyk	2008
Lars Nyberg	2008
Nicholas T. Pinchuk	2008
Richard F. Teerlink	2008
Bruce S. Chelberg	2009
Karen L. Daniel	2009
Arthur L. Kelly	2009
Jack D. Michaels	2009

The proposal to ratify the Audit Committee's selection of Deloitte & Touche LLP as the company's independent registered public accounting firm for 2007 received the following votes:

Votes for approval	51,142,056
Votes against	3,709,988
Abstentions	311,906

There were no broker non-votes for this item.

Item 5: Other Information

On May 8, 2007, the Company signed an Agreement with Mr. Alan T. Biland, a former executive officer of Snap-on, which was effective as of April 24, 2007. The Agreement provides that, in exchange for a release, Mr. Biland will be paid a severance amount of \$367,400 over a 12 month period through April 23, 2008. In addition, assuming compliance with certain restrictions on future employment and related covenants, Mr. Biland will receive an additional payment of \$675,000 on April 24, 2009.

Effective July 2, 2007, James P. Holden joined Snap-on's Board of Directors. Although Mr. Holden will be in the class of directors whose term expires in 2010, his name will be submitted for ratification at the 2008 Annual Meeting.

Item 6: Exhibits

Exhibit 10.1	Sale and Purchase Agreement dated as of May 18, 2007, between Snap-on Europe Holding B.V., Snap-on UK Holdings Ltd. and Duinmaaijer B.V. (the “SES Agreement”).*
Exhibit 10.2	Letter Agreement dated as of June 28, 2007, between Duinmaaijer B.V. and Snap-on Europe Holding B.V. [making non-material changes to the SES Agreement].
Exhibit 10.3	Termination Agreement and General Release dated as of April 29, 2007, (executed May 8, 2007) between the company and Alan T. Biland.
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.

(*) Excluding the schedules to this acquisition-related agreement, which schedules are identified in the Exhibit.

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 25, 2007

/s/ Martin M. Ellen

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

EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Exhibit</u>
10.1	Sale and Purchase Agreement dated as of May 18, 2007, between Snap-on Europe Holding B.V., Snap-on UK Holdings Ltd. and Duinmaaijer B.V. (the "SES Agreement").*
10.2	Letter Agreement dated as of June 28, 2007, between Duinmaaijer B.V. and Snap-on Europe Holding B.V. [making non-material changes to the SES Agreement].
10.3	Termination Agreement and General Release dated as of April 29, 2007, (executed May 8, 2007) between the company and Alan T. Biland.
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as amended.
31.2	Certification of Principal Financial Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as amended.
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.
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.

(*) Excluding the schedules to this acquisition-related agreement, which schedules are identified in the Exhibit.

SALE AND PURCHASE AGREEMENT

between

SNAP-ON EUROPE HOLDING B.V- SNAP-ON UK HOLDINGS LTD.

AND

DUINMAAIJER B.V.

in respect of

the management buy out of

SUN ELECTRIC SYSTEMS B.V. AND SUN HML ENGINEERING LIMITED

18 May 2007

INITIALS OF SIGNATORIES

INDEX

1	DEFINITIONS AND INTERPRETATION
2	SALE AND PURCHASE/CASH CONTRIBUTION
3	SIGNING AND CONDITION TO COMPLETION
4	COMPLETION
5	KNOWLEDGE OF PURCHASER
6	REPRESENTATIONS AND WARRANTIES OF THE SELLERS
7	REPRESENTATIONS AND WARRANTIES OF THE PURCHASER
8	SELLERS AND PURCHASER INDEMNITIES
9	COVENANTS
10	INTELLECTUAL PROPERTY RIGHTS, INFORMATION TECHNOLOGY
11	FURTHER ACTION, ASSISTANCE, ACCESS TO ADMINISTRATION, TRANSITION SERVICES
12	ASSIGNMENT OF RIGHTS AND OBLIGATIONS
13	NON-COMPETITION
14	CONFIDENTIALITY
15	COSTS
16	BINDING EFFECT AND ENTIRE AGREEMENT
17	NOTICES
18	GOVERNING LAW AND DISPUTE SETTLEMENT

SCHEDULES

SCHEDULE 1	SHARE TRANSFER DEED SES
SCHEDULE 2	SHARE TRANSFER DOCUMENT SUN HML
SCHEDULE 3	ARTICLES OF ASSOCIATIONS OF SES AND SUN HML
SCHEDULE 4	ARTICLES OF ASSOCIATION OF DUINMAAIJER B.V. / MEMORANDUM OF INCORPORATION
SCHEDULE 5	INCORPORATION DOCUMENTS SUN HML
SCHEDULE 6	ASSET TRANSFER AGREEMENT SUN HML
SCHEDULE 7	LICENSE AGREEMENT
SCHEDULE 8	SES ESCROW AGREEMENT
SCHEDULE 9	LEASE AGREEMENT
SCHEDULE 10	TRANSITION SERVICES AGREEMENT
SCHEDULE 11	PROFORMA COMPLETION DATE BALANCE SHEET
SCHEDULE 12	NET WORKING CAPITAL

INITIALS OF SIGNATORIES

SCHEDULE 13	OPENING BALANCE SHEET SUN HML
SCHEDULE 14	IP DESIGNS
SCHEDULE 15	LIST OF EMPLOYEES OF SES AND SUN HML

INITIALS OF SIGNATORIES

This Agreement is made on 2007 by and between:

- (1) **SNAP-ON EUROPE HOLDING B.V.**, a limited liability company ("*besloten vennootschap met beperkte aansprakelijkheid*") incorporated in the Netherlands and having its registered offices at Schepenberweg 34, 1105 AT, Amsterdam, the Netherlands, (the "**Seller NL**"), represented by Dan Garramone; and
- (2) **SNAP-ON UK HOLDING LTD.**, a limited company incorporated in the United Kingdom and having its registered offices at Chichester House, 278-282 High Holborn, London, WC1V7HA, United Kingdom, (the "**Seller UK**"), represented by [Dan Garramone];

Seller NL and Seller UK jointly referred to as the "**Sellers**",

- (3) **DUINMAAIJER B.V.**, a limited liability company ("*besloten vennootschap met beperkte aansprakelijkheid*") incorporated in the Netherlands and having its registered offices at Twickellaan 8, 1333 SH, Almere, the Netherlands ("**Purchaser**"), represented by Maarten Molenaar,

WHEREAS:

- (A) Seller NL is owner of all of the issued and outstanding shares in the capital of Sun Electric Systems B.V., a limited liability company ("*besloten vennootschap met beperkte aansprakelijkheid*") incorporated in the Netherlands and having its registered offices at Nijverheidslaan 15-17, 1382 LG, Weesp, the Netherlands, which company runs a business as described below under "**Business**" ("**SES**");
- (B) Seller UK has contributed the assets and liabilities relating to the Business as operated in the UK into a newly formed entity and is the legal and beneficial owner of the entire issued share capital of Sun HML Engineering Limited, a limited liability company incorporated in England and having its registered address at Unit 8, Tuscam Trading Estate, Trafalgar Way, Camberley, GU15 3BN, England, which company runs a business as described below under "**Business**" ("**Sun HML**");
- (C) Purchaser is a vehicle incorporated and managed by Mr. Maarten Molenaar, who has been running the operational part of the Business of SES during the past 14 years and who managed and provided support in the operational part of the Business (excluding administrative matters, corporate matters and tax matters for which Seller UK is responsible) of Sun HML during the past 7 years and the Purchaser has the intention to continue to run the Business on the same or improved terms;
- (D) Sellers, for commercial reasons and in reliance on the Purchaser's Representations and Warranties and in view of the Purchaser being able to continue to run the Business, wish to sell and transfer the Shares to the Purchaser, while the Purchaser, in reliance of the Sellers' Representations and Warranties, wishes to purchase and accept the Shares to continue to run the Business, on the terms set out in this Agreement;

INITIALS OF SIGNATORIES

- (E) The Sellers acknowledge that Maarten Molenaar did not hold the position of managing director ("*statutair bestuurder*") of SES until Completion and therefore accept giving a limited amount of warranties in relation to having been shareholder and managing director ("*statutair bestuurder*") of SES and shareholder and director of Sun HML, only as explicitly set out in Clause 6.2 of this Agreement (which Clause includes a confirmation of the set of warranties — including certain warranties in relation to the operation of the Business as conducted by Sun HML — set out in the Asset Transfer Agreement Sun HML);
- (F) In light of the nature of this Agreement and the knowledge of the Purchaser and its beneficial and/or legal owners have of the Business and the operations conducted by SES and Sun HML, the Purchaser fully acknowledges and accepts that, with regard to the operational side of the Business, only a limited amount of warranties in relation to the Business as conducted by SES are provided by the Sellers;
- (G) Sellers, SES, Sun HML and the Purchaser have complied with all applicable employee consultation procedures, including the provisions of the Social Economic Council Merger Regulation for the protection of employees ("*SER- Besluit Fusiegedragsregels 2000*") and the notification and consultation procedure pursuant the Works Council Act ("*Wet op de Ondernemingsraden*");
- (H) Seller NL and Seller UK wish to sell and transfer, and the Purchaser wishes to purchase and accept the Shares on the terms set out in this Agreement;

NOW HEREBY AGREE AS FOLLOWS

1 DEFINITIONS AND INTERPRETATION

1.1 In this Agreement (unless the context otherwise requires), the following definitions are used:

Accounts SES	the accounts of SES for the fiscal year 2006, prepared by SES under the responsibility of Seller NL and in accordance with both local regulations (Dutch GAAP) and the instructions of Seller NL (US GAAP), to be formally approved by Seller NL;
Advance Cash Contribution Payment	has the meaning ascribed to it in Clause 3.5;
Affiliated Party	In respect of a person, undertaking or company: <ul style="list-style-type: none"> (a) any person who, company or undertaking which, belongs to the same group as that company or undertaking;

INITIALS OF SIGNATORIES

- (b) any subsidiary of that person, company or undertaking;
- (c) any person of whom, company or undertaking of which, that person, company or undertaking is a subsidiary, and any other person who, company or undertaking which, is a subsidiary of the first mentioned person, company or undertaking;
- (d) any member of a corporate body, and any employee, of that person, company or undertaking or of an Affiliated Party;

In this definition, “subsidiary” and “group” shall mean, respectively, a subsidiary and group as — referred to in Sections 2:24a and 2:24b Dutch Civil Code (“Burgerlijk Wetboek”); where necessary, said sections shall apply mutatis mutandis with regard to private persons, companies and undertakings,

Collectively referred to as “**Affiliated Parties**”;

Agreement

this agreement, representing the entire agreement existing between the parties relating to the subject matter hereof and superseding all prior arrangements and agreements and any Schedules to this Agreement shall form an integral part thereof;

Asset Transfer Agreement Sun HML

the agreement between Seller UK and Sun HML for the transfer of the assets and liabilities from Seller UK to Sun HML, attached as SCHEDULE 6;

Assurance

any warranty, representation, statement, assurance, covenant, agreement, undertaking, indemnity, or commitment of any nature whatsoever, including without limitation joint and several liability undertakings issued pursuant to Section 2:403 Dutch Civil Code;

Business

the business of designing, engineering, developing and manufacturing systems for testing and maintenance of aircraft (“**Aerospace**”) and the business of developing and selling end-of-line and

INITIALS OF SIGNATORIES

laboratory roller tester equipment to European original equipment automobile manufacturers in the car and heavy vehicle industry (“**Automotive**”), the marketing, sales, services and support of the above, as operated by SES and Sun HML at the date of this Agreement;

Business Day	a day on which the banks are open for business in Wisconsin (USA), in the City of London and in Amsterdam (the Netherlands);
Cash Contribution	has the meaning ascribed to it in Clause 2.4;
Closing Financial Statement	a financial statement for SES and Sun HML, including balance sheets and P&L, prepared on the basis of US GAAP as per the Completion Date;
Completion	the performance of actions set out in Clause 4, to take place ultimately on 18 July 2007 and Completion Date shall be the date on which Completion has taken place;
Draft Effective Date Balance Sheet	has the meaning ascribed to it in Clause 2.6 (a);
Effective Date	28 April 2007;
Effective Date Balance Sheet	has the meaning ascribed to it in Clause 2.6 (b);
Incorporation Documents Sun HML	the incorporation documents for Sun HML, attached as SCHEDULE 5;
Lease Agreement	the lease agreement between Seller UK and Coal Pensions Properties Ltd. in respect of the premises used for the Business operated by Sun HML;
MBO Team	Mr. Maarten Molenaar, operational manager of SES, and Maarten van Alfen, David Kohl and Theo Möllers;
Net Working Capital	has the meaning ascribed to it in Clause 2.6 (c) (i);
Opening Balance Sheet Sun HML	the opening balance sheet of Sun HML prepared by Seller UK and the MBO Team, on the basis of the Proforma Balance Sheet and in accordance with both local regulations (English GAAP) and the instructions of Seller UK (US GAAP), attached as SCHEDULE 13;
Party	any party to this Agreement and its legal successor, for as long as it is a party hereto, jointly referred as “ Parties ”;

INITIALS OF SIGNATORIES

Patent	the patent nr EP0570061B1, see SCHEDULE 7;
Proforma Balance Sheet	the balance sheet (together with explanatory notes) of SES and the business of Sun HML, prepared by SES and the Sellers, consistent with the Accounts SES and in accordance with both local regulations (Dutch and English GAAP) and the instructions of the Sellers (US GAAP), reflecting the assets and liabilities of SES and Sun HML as of 24 February 2007, attached as SCHEDULE 11;
Purchaser	Duinmaaijer B.V., a limited liability company (" <i>besloten vennootschap met beperkte aansprakelijkheid</i> ") incorporated in the Netherlands and having its registered offices at Twickellaan 8, 1333 SH, Almere, the Netherlands, trade registry number 39099003;
Seller NL	Snap-on Europe Holding B.V., a limited liability company (" <i>besloten vennootschap met beperkte aansprakelijkheid</i> ") incorporated in the Netherlands and having its registered offices at Schepenbergrweg 34 1105 AT, Amsterdam, the Netherlands;
Seller UK	Snap-on Holding UK Ltd., a limited company incorporated in the England and Wales and having its registered offices at Chichester House, 278-282, High Holborn, London, WC1V7HA, United Kingdom, owner of SUN HML;
Sellers	Seller NL and Seller UK jointly;
Sellers' Representations and Warranties	the representations and warranties exhaustively set out in Clause 6.2;
Services	certain services provided by the Sellers' group of companies to the Purchaser immediately after Completion, set out in SCHEDULE 10;
SES	Sun Electric Systems B.V., a limited liability company (" <i>besloten vennootschap met beperkte aansprakelijkheid</i> ") incorporated in the Netherlands and having its registered offices at Nijverheidslaan 15-17, 1382 LG, Weesp, the Netherlands;
SES Escrow	the escrow into which the part of the Cash Consideration allocated to SES is paid pursuant to

INITIALS OF SIGNATORIES

	Clause 2.5 and the SES Escrow Agreement;
SES Escrow Agreement	the agreement set out in SCHEDULE 8 between the Seller NL and the Purchaser in respect of the SES Escrow;
Shares	all of the issued and outstanding shares in SES (“ SES Shares ”) and the entire issued share capital of Sun HML (“ Sun HML Shares ”);
Signing Date	shall mean the date of this Agreement;
Snap-on Inc.	ultimate shareholder of Seller NL and Seller UK;
Sun HML	Sun HML Engineering Ltd., a limited liability company incorporated under the laws of England and Wales, with registered address at Unit 8, Tuscam Trading Estate, Trafalgar Way, Camberley, GU15 3BN, England and with registration number 06223016;
Transaction	the transaction contemplated in this Agreement;
Transition Services Agreement	the agreement set out in SCHEDULE 10 between the Seller NL/Seller UK and the Purchaser, as set out in Clause 11.

1.2 In this Agreement, save where the context otherwise requires:

- (a) a reference to a statute or statutory provision shall include a reference to that statute or provision as from time to time consolidated, modified, re-enacted or replaced by any statute or statutory provision;
- (b) a reference to a person shall include a reference to a firm, a body corporate or an unincorporated association;
- (c) a reference to a clause, sub-clause or Schedule shall be a reference to a clause, sub-clause or Schedule (as the case may be) of or to this Agreement;
- (d) if a period of time is specified and dates from a given day or the day of an act or event, it shall be calculated exclusive of that day;
- (e) references to documents “in the agreed terms” shall be to documents agreed between the Parties, and set out in a Schedule;
- (f) in this Agreement, references to an individual shall include his/her estate;
- (g) the headings in this Agreement are for convenience only and shall not affect the interpretation of any provision of this Agreement;

INITIALS OF SIGNATORIES

- (h) reference to this Agreement includes this Agreement as amended or supplemented in accordance with its terms;
- (i) unless otherwise provided herein, all reference to a “day” shall mean a business day in The Netherlands, exclusive of Saturdays, Sundays and Dutch statutory holidays, and all references to a fixed time of a day shall mean Dutch time as in effect on such day. for the calculation of a period of time, a period shall start the day after the day of sending and include the day of receipt;
- (j) reference to “include”, “includes”, “including” and all forms and derivations thereof shall mean including but not limited to;
- (k) reference to “herein”, “hereof”, “hereunder”, “hereby”, “hereto”, “herewith” and words of similar import shall refer to this Agreement as a whole and not to any particular article, section, subsection or other subdivision; and
- (l) references to any Dutch legal term for any action, remedy, method or judicial proceeding, legal document, legal status, court, official or any legal concept or thing shall in respect of any jurisdiction other than the Netherlands be deemed to include what most nearly approximates in that jurisdiction to the Dutch legal term.

2 SALE AND PURCHASE/CASH CONTRIBUTION

- 2.1 Subject to the terms and conditions of this Agreement, Seller NL and Seller UK hereby sell the Shares to the Purchaser, and the Purchaser hereby purchases the Shares from the Seller NL and Seller UK.
- 2.2 The consideration to be paid by the Purchaser to Seller NL for the SES Shares under this Agreement shall be EUR 1.00 (one euro). The consideration to be paid by the Purchaser to Seller UK for the Sun HML Shares under this Agreement shall be GBP 1.00 (one pound sterling) at Completion.
- 2.3 Sellers shall ensure that the Cash Contribution is made available, pursuant to Clauses 2.4 — 2.6 to SES and/or Sun HML in view of contributing to any operational improvement required, in the opinion of the Purchaser, for the continuation of the Business, including possible severance payment of employees should such be required. For the avoidance of doubt, no other or further contributions or funding than the Cash Contribution shall be due by Sellers or any group company of Snap-on Inc. to SES and/or Sun HML and/or the Purchaser in respect of the Business or its operations from the Effective Date.
- 2.4 Sellers shall leave with SES and Sun HML, as the case may be, on the Completion Date an amount of cash equal to the cash balance for SES on the Proforma Balance Sheet, being equal to EUR 387,156 (three hundred eighty-seven thousand hundred fifty-six euro), plus the cash balance for Sun HML on the Proforma Balance Sheet, being equal to GBP 68 (sixty-eight pounds sterling) equal to EUR 102 (hundred and two euro), plus an amount equal to EUR 4,100,000 (four million one hundred thousand euro) **minus** the cost of all SES and Sun HML employee insurance premiums and pension contributions (on a converted to euro basis at the official exchange rate at the Effective Date) made by

INITIALS OF SIGNATORIES

SES and/or Sun HML from 1 January 2007 through the Effective Date (the “**Cash Contribution**”), such Cash Contribution to be made in accordance with Clause 2.6. The Cash Contribution shall be subject to an adjustment as set out in Clause 2.6 and set off against the Advance Cash Contribution Payment set out in Clause 3.5.

- 2.5 Sellers shall make the Cash Contribution by placing, on the Completion Date, with Sun HML the amount of the Cash Contribution allocated to Sun HML, being EUR 500,000 (five hundred thousand euro) with the remainder of the amount of the Cash Contribution, adjusted for Clause 2.6 and Clause 3.5 placed, on the Completion Date, into the SES Escrow. The distribution out of the SES Escrow will be according to the Release Schedule attached to the SES Escrow Agreement.
- 2.6 The Cash Contribution shall be subject to an adjustment calculated and settled as follows, if any of the ending days falls on a non-Business Day the next Business Day will be considered the date:
- (a) Within 10 days after the Signing Date, the Purchaser shall prepare and deliver to the Sellers a draft consolidated balance sheet (the “**Draft Effective Date Balance Sheet**”) of SES and Sun HML as of the close of business on the Effective Date (determined on a pro forma basis as though the transactions contemplated by this Agreement had not been consummated). The Purchaser shall prepare the Draft Effective Date Balance Sheet in accordance with the Proforma Balance Sheet and the accounting principles observed therein. The Purchaser shall be obliged to make available to the Sellers, in English, any work papers and back-up materials used in preparing the Draft Effective Date Balance Sheet.
 - (b) If the Sellers have any objections to the Draft Effective Date Balance Sheet, they must deliver a statement describing their objections to the Purchaser within 10 days after receiving the Draft Effective Date Balance Sheet. The Purchaser and the Sellers shall use reasonable efforts to resolve any such objections themselves through good faith negotiation. If the Purchaser and the Sellers do not obtain a final resolution within 10 days after the Sellers have sent the statement of objections, the Purchaser and the Sellers shall select within 10 days a mutually acceptable reputable and independent accounting firm to resolve any remaining objections. The Purchaser shall pay 50% and the Sellers shall pay 50% of the costs and expenses of any accounting firm so used. The determination made by such accounting firm shall be made within 10 days and shall be set forth in writing and shall be conclusive and binding upon the Parties. The “**Effective Date Balance Sheet**” means the Draft Effective Date Balance Sheet together with any revisions made pursuant to this Clause 2.6 (b).
 - (c) The Cash Contribution shall be adjusted as follows:
 - (i) If the net working capital as defined in SCHEDULE 12 (“**Net Working Capital**”) on the Effective Date Balance Sheet is greater than the consolidated Net Working Capital on the Proforma Balance Sheet, then the Purchaser shall pay to the Sellers, by wire transfer or delivery of other immediately available funds, an amount equal to the total difference between the consolidated Net Working Capital on the

INITIALS OF SIGNATORIES

Proforma Balance Sheet and the consolidated Net Working Capital on the Effective Date Balance Sheet. Such payment shall be made through set off as provided in the SES Escrow Agreement include a provision stipulating that any payment due by the Purchaser on the basis of this Clause 2.6 (c) (i) but not paid, may be set off against the two last releases, until satisfied, set out in the Release Schedule of the SES Escrow Agreement.

- (ii) If the Net Working Capital on the Effective Date Balance Sheet is less than the consolidated Net Working Capital on the Proforma Balance Sheet, then the Sellers shall pay to SES/Sun HML, by wire transfer or delivery of other immediately available funds, an amount equal to the total difference between the consolidated Net Working Capital on the Proforma Balance Sheet and the consolidated Net Working Capital on the Effective Date Balance Sheet. If after applying Clause 2.6 (c) (iii) a payment remains to be made by the Sellers, it shall be made to SES/Sun HML within 2 Business Days after the date on which the Effective Date Balance Sheet is determined pursuant to Clause 2.6 (b), or the Completion Date, whichever is later.
- (iii) The amount of the Cash Contribution determined on the basis of Clauses 2.4 and 2.6 (c) (i) and (ii) shall be set off against the amount of the Advance Cash Contribution Payment paid pursuant to Clause 3.5.

- 2.7 From the Effective Date to the Completion Date the Purchaser shall be entitled to any positive operating cash generated by SES and/or Sun HML, as measured by financial and bank records of SES and Sun HML, provided, however, that the Purchaser shall not extract cash in whatever form (as dividend or in any other form) from SES and/or Sun HML before and until Completion has taken place. This positive operating cash generated by SES and/or Sun HML will be placed or left, as the case may be, in the corresponding bank accounts of SES and/or Sun HML at Completion and will be in addition to the adjusted Cash Contribution as defined in Clause 2.4.

3 SIGNING AND CONDITION TO COMPLETION

- 3.1 This Agreement shall be signed by the Parties at the offices of Boekel De Nerée N.V. of Boekel De Nerée N.V. in Amsterdam, Gustav Mahlerplein 2, 1028 MA, on the Signing Date.
- 3.2 On the Signing Date the following shall take place:
- (a) Seller NL shall deliver to the Purchaser the resolution of its general meeting of shareholders and of its Supervisory Board, authorising the Seller NL to enter into this Agreement;
 - (b) Seller UK shall deliver to the Purchaser the resolution of its board of directors authorising the Seller UK to enter into this Agreement;

INITIALS OF SIGNATORIES

- (c) the Purchaser shall deliver to the Sellers the resolution of its general meeting of shareholders authorising the Purchaser to enter into this Agreement and the Transaction;
- (d) the Asset Transfer Agreement Sun HML shall be entered into and performed by Seller UK and Sun HML and this shall be provided to the Purchaser;
- (e) the Patent shall be licensed by SES to Seller NL on the basis of a perpetual royalty free license to use the patent, as set out in the agreement attached as SCHEDULE 7;
- (f) the Parties shall confirm their approval with the Proforma Balance Sheet and the Opening Balance Sheet Sun HML;
- (g) the Purchaser shall confirm that it has completed an investigation on a prima facie basis into the operational aspects of the Business of Sun HML of which the results were satisfactory to the Purchaser;
- (h) the Purchaser and the Sellers shall sign the Transition Services Agreement, which shall enter into effect on Completion;

3.3 As of the Signing Date this Agreement shall be binding on the Parties and the following shall apply with respect to the Business:

3.3.1 The Business shall be run or continue to be run by and under the responsibility of the Purchaser and the MBO Team. All benefits accruing from and all liabilities incurred in relation to SES and Sun HML shall be for the account of the Purchaser as from the Signing Date and no payments into or out of SES and/or Sun HML shall be made by any of the Sellers or the Seller's Affiliated Parties. For the avoidance of doubt, the Purchaser shall not extract cash out of or create liabilities for SES and/or Sun HML other than in the ordinary course of business until Completion.

3.3.2 With the exception of the resolution set out in Clause 3.7, Clause 4.2(a) and 4.2(b), the Sellers shall not take any resolutions as shareholders of SES and Sun HML and shall procure that no resolutions as directors of SES and Sun HML are taken, without the prior consent of the Purchaser, which consent shall not be unreasonably withheld or delayed.

3.4 Sellers and the Purchaser declare to each other that, from 31 December 2006 until Completion, unless with the prior written approval of the other Party:

- (a) they have not sold and shall not sell the whole or a substantial part of the Business of SES and Sun HML or, except in the ordinary course of the business, any of the properties or equipment;
- (b) they have not deviated and shall not deviate materially from the nature of the Business of SES and Sun HML that is currently being conducted;
- (c) they have not engaged and shall not engage in any transaction with respect to the Business except on an at arm's length basis and in the ordinary course of business;

INITIALS OF SIGNATORIES

- (d) they have not distributed and shall not distribute any dividend out of SES or Sun HML, other than provided in Clause 3.7.
- 3.5 As an advance payment to the Cash Contribution to be paid at Completion ("**Advance Cash Contribution Payment**"), the Sellers shall provide a financing arrangement beginning with the Effective Date and ending with the Completion Date with SES and Sun HML to the maximum of EUR 1,750,000 (one million seven hundred fifty thousand euro), in line with standard business practices at the standard 30-day overdraft lending rate [of ABN AMRO Bank N.V.] in the Netherlands, to be paid into SES and Sun HML on the basis of requests by the Purchaser, each time subject to the approval of the Sellers. The amount that has been paid on the basis of the Advanced Cash Contribution Payment is considered to be an advance payment only and shall be set off against the Sellers' obligation to pay the Cash Contribution.
- 3.6 The Seller NL undertakes to have the Accounts SES audited and approved before Completion and the Purchaser undertakes to procure that all assistance and co-operation and all documents and information required to audit and approve the Accounts SES shall be provided timely to Seller NL, at no charge.
- 3.7 The Parties acknowledge and agree that the following are conditions precedent to Completion that may be waived by the Sellers but not the Purchaser:
- (a) approval of the Accounts SES;
 - (b) distribution of dividends by SES to Seller NL on the basis of the cumulative retained earning as of the end of 2006 of at least EUR 11,200,000 (eleven million two hundred thousand euro) [**distribution mechanism to be specified**].
- 3.8 In the event that the conditions set out in Clause 3.7 are not fulfilled on Completion Date, the Sellers shall have the option to waive these conditions or to terminate this Agreement with no compensation of any nature becoming due to the Purchaser. The Sellers shall notify the Purchaser ultimately on 15 July 2007 whether the conditions set out in Clause 3.7 have been fulfilled and if they have not, whether such conditions are waived or termination of this Agreement is invoked. In the case that the termination of the Agreement is invoked, all of the provisions of this Agreement, save the provisions of Clauses 14, 15, 16 and 18, shall cease to apply between the Parties per the date of such notification. Only in the case that Sellers invoke the termination of this Agreement on the basis of this Clause 3.8, and the cause for the non-fulfilment of the conditions set out in Clause 3.7 is not attributable to the Purchaser's lack of co-operation pursuant to Clause 3.6, the Sellers shall compensate the Purchaser's costs made in connection with the preparation of this Transaction, which compensation shall not exceed EUR 100,000 (hundred thousand euro), in aggregate. This compensation shall be paid to the Purchaser on the basis of specified invoices issued to and paid by the Purchaser. For the avoidance of doubt, this compensation will not cover any costs of the Purchaser taking legal actions against the Seller, for whatever reason and on whatever grounds.

INITIALS OF SIGNATORIES

4 COMPLETION

- 4.1 Completion shall take place at the offices of Boekel De Nerée N.V. in Amsterdam, Gustav Mahlerplein 2, 1028 MA, at 18 July 2007.
- 4.2 On Completion the Parties shall ensure that the following takes place:-
- (a) Seller NL shall deliver to the Purchaser the resolution of its general meeting of shareholders and of its Supervisory Board, authorising Completion;
 - (b) Seller UK shall deliver to the Purchaser the resolution of its board of directors authorising Completion;
 - (c) the Purchaser and the Sellers shall enter into the SES Escrow Agreement;
 - (d) Seller NL shall resign as Managing Director (“bestuurder”) of SES and the Supervisory Director (“commissaris”) of SES shall resign and shall be replaced by a Supervisory Board appointed by the Purchaser;
 - (e) Seller NL and the Purchaser shall ensure the execution of the share transfer deed before the Civil-Law notary, Alexander Adriaen van Velten or his substitute of Boekel De Nerée N.V. transferring the SES Shares to the Purchaser;
 - (f) Seller UK shall deliver to the Purchaser an executed transfer of the Sun HML Shares in favour of the Purchaser together with the share certificate for the shares in Sun HML (or in the case of any lost certificate an indemnity reasonably satisfactory to the Purchaser in relation thereto);
 - (g) Seller UK shall deliver to the Purchaser a letter of resignation from Paul Geere as director of Sun HML; and
 - (h) Seller UK shall deliver to the Purchaser a letter of resignation from Paul Clarke as the secretary of Sun HML.
- 4.3 The consideration as referred to in Clause 2.2 shall be paid to Seller NL and Seller UK, for which payment Seller NL and Seller UK will provide a discharge.
- 4.4 The Sellers shall make the payments pursuant to Clause 2.5 into the SES Escrow.
- 4.5 Within 10 (ten) Business Days after the Completion Date, the Purchaser shall provide the Sellers with all necessary information to complete the Closing Financial Statement.
- 4.6 The Sellers and the Purchaser agree that following the distribution of dividend by SES as set out in Clause 3.7(b) any and all intra-group obligations of whatever nature due or owed by any of the Sellers or by any of their Affiliated Parties have been satisfied in full, with the exception of the Transition Services Agreement, possible obligations arising out of the Asset Transfer Agreement Sun HML dated [] and the adjustment and set off set out in Clauses 2.6 and 3.5.
- 4.7 In the event that, at any time after Completion, funds are paid to any of the Sellers that

INITIALS OF SIGNATORIES

were due to SES and/or Sun HML, or vice versa, the receiving Party shall immediately transmit such funds to the Party to which such funds were due.

- 4.8 In the event that either Party fails to perform in accordance with the provisions set out in Clause 4.2, the non-defaulting Party may, at its election, terminate this Agreement or defer Completion for 14 days in view of granting the defaulting Party a term to remedy its default. If the defaulting party has not remedied its default within said period, the non defaulting party may waive its right or may terminate the Agreement without prejudice to any of its other rights and claims (including, even if this Agreement is terminated, any right to payment of damages). In the event, however, that Completion should be deferred to a date beyond 15 August 2007, this Agreement shall be terminated by operation of law regardless of remedy still being possible.

5 KNOWLEDGE OF PURCHASER

5.1 The Purchaser acknowledges and agrees that:

- (a) it is an acquisition vehicle serving the legal or beneficial interests of both the short term and the long term management of SES and Sun HML and therefore has or should have knowledge of all business aspects of SES (including financial (excluding audit), legal (excluding corporate matters), operational, commercial, IT (on a limited basis), employment) involved in the operation of the Business. With respect to Sun HML Purchaser is relying partly on information provided by the Seller UK in respect of the management of the Business of Sun HML and in the Asset Transfer Agreement Sun HML;
- (b) it has been and is receiving independent advice from professional, legal, financial and tax advisors regarding the Transaction and it has secured sufficient financing (whether debt or equity) to ensure the continued existence of SES and Sun HML;
- (c) all insurances coverage, provided in relation to SES or Sun HML, pursuant to any policy maintained by the Sellers and their Affiliated Parties with third party insurances and within the group of Affiliated Parties, shall be terminated at Completion and/or shall no longer provide coverage as of Completion for any events, occurrences or accidents occurring after Completion relating to SES or Sun HML, with the exception, however, of such insurance coverage that is continued on a transitional basis, as described in the Transition Services Agreement;
- (d) it shall put in place such insurances as the Purchaser shall deem appropriate in relation to SES and Sun HML to replace the transitional continuation set out in the Transition Services Agreement.

INITIALS OF SIGNATORIES

- 5.2 The Parties acknowledge that the Purchaser and Maarten Molenaar derive the actual and constructive knowledge that they have of the Business from the Business operating understanding of the MBO Team members and such reasonable investigation into the Business and the management of SES and Sun HML that they deemed fit, where in respect of the management of the Business of Sun HML the Purchaser also partly relies on a prima facie basis on information in relation to the management of the Business of Sun HML that has been provided by the Seller UK and on the wording of the Asset Transfer Agreement Sun HML.

6 REPRESENTATIONS AND WARRANTIES OF THE SELLERS

- 6.1 Seller NL warrants, in acknowledgement of its position as shareholder and managing director ("*statutair bestuurder*") of SES and Seller UK warrants, in acknowledgement of its position as shareholder and director of Sun HML, to the Purchaser that the Sellers' Representations and Warranties set out in Clause 6.2 are true at the Signing Date and shall be deemed repeated at Completion, provided that the Purchaser declares that it has no knowledge of any such Sellers' Representation or Warranty not being fully true and/or accurate and that the Purchaser and Mr Maarten Molenaar acknowledge that they are not aware, having made enquiries of Mr Alan Melville, of any breach of the warranties set out in the Asset Transfer Agreement Sun HML.

6.2 Sellers' Representations and Warranties

- 6.2.1 Each of the Sellers has the power and authority to enter into and to perform this Agreement.
- 6.2.2 This Agreement constitutes binding obligations on the Sellers in accordance with its terms.
- 6.2.3 The copy of the articles of association of SES attached to this Agreement as SCHEDULE 3 and the Incorporation Documents Sun HML are valid.
- 6.2.4 The SES Shares constitute 100 per cent of the issued and allotted share capital of SES and the Sun HML Shares constitute 100 per cent of the issued and allotted share capital of Sun HML.
- 6.2.5 The Shares are fully paid or credited as paid.
- 6.2.6 There is no encumbrance on the Shares and no options have been granted on the Shares.
- 6.2.7 SES and Sun HML have not been dissolved, no resolution to dissolve has been adopted and the Sellers are not aware of any pending or threatened action by the Public Prosecutor ("*Officier van Justitie*") to dissolve SES.
- 6.2.8 SES has not been declared bankrupt ("*failliet*") and to the best knowledge of the Sellers no action or request is pending or threatened to declare SES bankrupt, and SES has not been granted an official moratorium of payment ("*surséance van betaling*").
- 6.2.9 SES and/or Sun HML own the legal and/or beneficial title to the assets which are included in the Accounts SES and/or the Opening Balance Sheet Sun HML;

INITIALS OF SIGNATORIES

- 6.2.10 None of the material assets is subject to any encumbrance, with the exception of encumbrances incurred in the ordinary course of business.
- 6.2.11 To the extent that SES has remitted payment for the wages of the employees to Seller NL, Seller NL duly assured full and timely payment to employees and tax and social security authorities.
- 6.2.12 Except for the directors registered at the Trade Registry and Maarten Molenaar and Theo Möllers, there are no persons holding a general power of attorney or persons who are authorized to legally bind SES, with the exception of persons authorised to execute this Agreement and related documents.
- 6.2.13 No claims exist from current or former managing directors (“*statutaire bestuurders*”) of Seller NL and/or Seller UK towards SES, which originate in the period prior to the Signing Date.
- 6.2.14 The Seller UK has procured that Sun HML is duly incorporated, that the Asset Transfer Agreement Sun HML has been executed.
- 6.2.15 Seller NL and/or Seller UK have not committed any act or entered into any commitment, obligation, arrangement, undertaking, or otherwise, whether actual or contingent, that would now or in the future constitute a liability of the Purchaser or otherwise cause the Purchaser to incur any losses or other damages.
- 6.2.16 The statutory accounts for SES up to and including the financial year 2005 have been audited and approved in accordance with generally accepted accounting principles and practices in the Netherlands and in accordance with US GAAP, in reliance on the information provided by the MBO team, and have been properly filed on behalf of SES.
- 6.2.17 Reports for SES with respect to taxes and social security contributions have been timely and properly filed with the relevant authorities, in reliance on the information provided by the MBO Team.
- 6.3 Notwithstanding any other clause of this Agreement, the Sellers (i) shall not be in any breach of the Sellers’ Representations and Warranties and (ii) cannot be held liable in respect of any breach of the Sellers’ Representations and Warranties to the extent that the Purchaser and/or its representative(s) were or should have been aware, as the manager of the daily operations, at the Completion of such breach of the Sellers’ Representations and Warranties, because the facts and circumstances giving rise thereto:
- (i) were known or should have been known without further investigation to Mr Maarten Molenaar; and/or
 - (ii) have been disclosed to the Purchaser or excepted in the Sellers’ Representations and Warranties themselves and/or a Disclosure Letter and/or the Schedules hereto; and/or
 - (iii) are or should have been known to Mr Maarten Molenaar on the basis of his knowledge of the Business and his experience in the operational management of SES.

INITIALS OF SIGNATORIES

- 6.4 The Purchaser acknowledges and confirms that it has knowledge on the basis of the facts and circumstances set out in Clause 5.2 and the investigation that was conducted by the Purchaser in view of the Transaction and in reliance on the confirmation by the Seller NL that the information provided in relation to administrative, tax and corporate matters of SES is accurate and not misleading, and that there are no further questions in this respect to Sellers, Snap-on Inc. or their advisers.
- 6.5 The Purchaser and MBO team acknowledge and confirm that it is not aware of any breach of the Sellers' Representations and Warranties or any of the warranties set out in the Asset Transfer Agreement Sun HML. Sellers have provided all information regarding SES and Sun HML relevant to the Purchaser and this information is true, accurate and not misleading and to the best of Sellers' knowledge no relevant information has been withheld.
- 6.6 The Purchaser acknowledges and confirms that neither of the Sellers shall be liable for more than EUR 200,000 (two hundred thousand euro) jointly and in aggregate in respect of any breach of the Sellers' Representations and Warranties. The Purchaser can make no claims on the basis of the Sellers' Representations and Warranties after expiration of 5 (five) years in respect of title warranties, Clauses 6.2.1, 6.2.3, 6.2.4, 6.2.5, 6.2.6, 6.2.7, 6.2.8 and 6.2.9; 5 (five) years (plus the legal extension period) in respect of tax warranties, Clause 6.2.11; and 1 (one) year in respect of operational warranties, Clauses 6.2.2, 6.2.10, 6.2.12, 6.2.13, 6.2.14, 6.2.15, 6.2.16 and 6.2.17, after the date of signing this Agreement.
- 6.7 The Parties acknowledge and agree that the provisions of title 1 of book 7 of the Dutch Civil Code ("*Nederlands Burgerlijk Wetboek*") that envisage to otherwise or further protect a purchaser do not apply to this Transaction and/or to this Agreement.

7 REPRESENTATIONS AND WARRANTIES OF THE PURCHASER

- 7.1 The Purchaser warrants to the Sellers that the Purchaser's Representations and Warranties set out in Clause 7.2 are true at the date of this Agreement, and this warranty shall be deemed repeated at Completion.

7.2 Purchaser's Representations and Warranties

- 7.2.1 The Purchaser has the power and authority to enter into and perform this Agreement.
- 7.2.2 This Agreement constitutes binding obligations on the Purchaser in accordance with its terms.
- 7.2.3 The copy of the articles of association and memorandum of incorporation of Duinmaaijer B.V. attached to this Agreement as SCHEDULE 4 is valid and the Purchaser's shareholder is Mr. Maarten Molenaar and no others. No person has been granted any right in respect to shares or revenue of the Purchaser or SES or Sun HML in respect of the Completion of this Transaction.
- 7.2.4 To the best knowledge of the Purchaser, all assistance and co-operation and all documents and information required to audit and approve the accounts SES and the

INITIALS OF SIGNATORIES

Proforma Balance Sheet were provided and these accounts were prepared on a consistent basis in accordance with generally accepted accounting principles and practices in the Netherlands and in accordance with US GAAP by the MBO team.

7.2.5 Since 31 December 2006, to the best knowledge of the Purchaser: -

- (i) there has been no material adverse change (nor any such material change expected) in the financial or trading position or prospects of the Business or in the value of the assets or amount or nature of the liabilities of SES as compared with positions disclosed in the Proforma Completion Date Balance Sheet;
- (ii) SES has not disposed of any assets or assumed or incurred any outstanding capital commitment of any material liabilities (whether actual or contingent), otherwise than in the ordinary course of business;
- (iii) SES has paid their trade creditors in the ordinary course of business and within the normal terms of business.

7.2.6 The Purchaser and SES have not committed any act or entered into any commitment, obligation, arrangement, undertaking or otherwise in relation to the operational affairs of SES, whether actual or contingent, that would now or in the future constitute a liability of the Sellers or any of their Affiliated Parties or otherwise cause the Sellers or any of their Affiliated Parties to incur any losses or other damages.

7.2.7 The Business has, to the best knowledge of Purchaser and the MBO team, been conducted in all respects in accordance with all applicable laws, rules, regulations, judgments, decisions, decrees, orders or other requirements of any government, quasi government, statutory, administrative or regulatory body, court or agency applicable to the daily operational affairs (in the Netherlands), except for the affiliation to the Metalektro association of social insurance ("*bedrijfsvereniging*") in the period preceding the Completion Date.

7.2.8 The Sellers acknowledge and confirm that Purchaser shall not be liable for more than EUR 200,000.-- (two hundred thousand euro) in respect of any breach of the Purchaser's Representations and Warranties. The Sellers can make no claims on the basis of the Purchaser's Representations and Warranties after expiration of 5 (five) years.

7.2.9 To the best knowledge of the Sellers, the Sellers acknowledge and confirm that they are not aware of any breach of the Purchaser's Representations and Warranties.

8 SELLERS AND PURCHASER INDEMNITIES

8.1 The Seller NL shall indemnify the Purchaser against:

- (a) any recourse that Dutch tax authorities may have against SES for claims that (1) are referable to the fiscal unity to which SES has belonged immediately before the Completion Date and (2) do not regard SES's tax situation;
- (b) claims made by employees of SES (other than referred to in sub c) in respect of SES not being affiliated to the Metalektro association of social insurance ("*bedrijfsvereniging*") in the period preceding the Completion Date; and

INITIALS OF SIGNATORIES

- (c) amounts duly claimed by Metalektro pension fund ("*bedrijfstakpensioenfonds Metalektro*") and (former and present) employees of SES against SES on the basis that SES should have been affiliated to that pension fund in the 5 year period preceding 1 July 2007 and any such claim should be referable to this period.
- 8.2 The Sellers liability in respect of the indemnities set out in Clause 8.1(b) shall not exceed the aggregate amount of EUR 200,000 (two hundred thousand euro) and shall lapse in the event that the Purchaser has not made a claim in respect of such indemnity within five (5) years and six (6) months after the date of this Agreement.
- 8.3 The Sellers shall only be liable for the indemnity set out in Clause 8.1(b) and in Clause 8.1(c) in the event that the Seller NL or any person designated by Snap-on Inc. to act on behalf of Seller NL has fully conducted at the sole discretion of Snap-on Inc. the defence against such claims. The Sellers shall only be liable for an amount (with respect to Clause 8.1(b) within the limitation set out in Clause 8.2 and with respect to Clause 8.1(c) within the limitation set out in Clause 8.4) that is finally and irrevocably awarded by a competent Dutch court no longer subject to appeal, taking into account the reasonable interests of the Purchaser, which shall include — for the indemnity set out in Clause 8.1(b) - providing security to the Purchaser up to the maximum amount set out in Clause 8.2 minus the estimated reasonable costs of conducting the defence — or with respect to the indemnity set out in Clause 8.1(c) providing security up to the reasonably expected amount of the relevant individual claim. The Purchaser shall be fully informed about the progress of such procedures. In respect of Clause 8.1(b) reasonable costs of conducting the defence, including fees and expenses, will be deducted from the maximum amount set out in Clause 8.2.
- 8.4 The Sellers' liability in respect of the indemnity set out in Clause 8.1(c) shall only exist for any amount in excess of EUR 100,000 (one hundred thousand euro). Any claim under the indemnity as set out in Clause 8.1(c), shall only be valid if such claim has been duly submitted to the relevant Seller in conformity with this Agreement and within five (5) years and six (6) months after the date of this Agreement.
- 8.5 The Sellers shall not be liable to indemnify the Purchaser for the amounts that would fall under the indemnities set out in Clauses 8.1(b) and 8.1(c) in the event that such amounts arise from claims made on behalf of or initiated by Mr. Maarten Molenaar on his own behalf, irrespective of the circumstances that gave rise to such claims.
- 8.6 The Purchaser shall indemnify Seller NL against any and all liabilities arising from Seller NL's role as managing director ("*statutair bestuurder*") for any claims relating to the period after Completion and having their cause in the field of the business operations, for which Mr Maarten Molenaar was responsible.
- 8.7 The Purchaser shall indemnify and hold harmless each of the Sellers for any and all claims any tax authorities may make with respect of SES or Sun HML referable to the period after the Completion Date and with their cause after the Completion Date.
- 8.8 The Purchaser shall indemnify and hold harmless the Seller NL from any and all liabilities arising after the Effective Date from third party claims, including municipal or governmental authorities, in respect of the environmental situation of the premises

INITIALS OF SIGNATORIES

owned and/or used by SES, including but not limited to claims in respect of remedying soil and/or groundwater pollution, which indemnification however shall not exceed the aggregate amount of EUR 200,000 (two hundred thousand euro).

- 8.9 The Purchaser shall indemnify and hold the Sellers and their Affiliated Parties harmless against (i) any claim made by any third party (including for the avoidance of doubt SES) and based on the assertion that the Sellers and their Affiliated Parties are liable for a debt of SES arising from matters relating to the operational part of the Business and without the Sellers having given any authority or power of attorney to incur such liability, the foregoing irrespective of the grounds for that liability and (ii) any liability resulting from a breach of the Purchaser's Representations and Warranties or of any of the Purchaser's obligations under this Agreement.
- 8.10 The Purchaser covenants that at any time and from time to time on or after the Signing Date, it shall execute and deliver all such instruments of assumption and acknowledgements as reasonably may be required or take such other action as the Sellers may reasonably request to effect the release and/or discharge in full of any Assurance given by the Sellers to any person in respect of any obligation or liability of SES (including, without limitation, any liability of the Sellers to pay any sum to an insurer in respect of any claim made under an insurance policy by SES and any obligation of the Seller NL to provide security to third parties who have relied on the 403-statement in respect of SES that was filed by the Seller NL) and the Purchaser's assumption of, and the substitution of the Purchaser as the primary obligor in respect of, each such Assurance in each case on a non-recourse basis to the Sellers. The costs of preparing such instruments shall be borne, to the extent that such is reasonable, by the requesting Seller. Pending such release and discharge, the Purchaser hereby agrees with the Sellers that it shall assume and pay and discharge when due and the Purchaser undertakes to indemnify the Sellers against all amounts paid by either of the Sellers to any third party pursuant to any such obligation (and all costs incurred in connection with such obligation) arising after the Signing Date. In the event that this Agreement is terminated on the basis of Clause 3.8, the Sellers shall resume their positions as if the assumptions had never taken place and the Seller shall repay any payments made by the Purchaser under the indemnification in this Clause 8.10 to the Purchaser.

9 COVENANTS

- 9.1 Seller UK and Sun HML shall make arrangements with respect to the Lease Agreement allowing Sun HML to make use of the leased building. To the extent that any costs are involved — including the provision of guarantees by Seller UK — such arrangements shall be subject to the prior written approval of Seller UK, with the understanding that such costs shall not exceed the then current lease terms and conditions under the Lease Agreement.
- 9.2 The Purchaser confirms that the Business as operated now is viable and can be continued to be operated as envisaged by the Purchaser, taking into account the intentions and the knowledge of the Purchaser and the provisions of this Agreement. The Purchaser confirms that it shall use its best effort to continue to operate the Business in the best possible way, it shall maintain as much as economically possible in

INITIALS OF SIGNATORIES

effect all employment conditions currently applicable to the employees of SES and it shall confirm that, at present time, there are not intentions to make any of the Sun HML employees redundant or change their terms and conditions.

- 9.3 The Parties have agreed upon a Cash Contribution for the Purchaser to ensure continuation of the Business and for financing possibly necessary severance payments of SES. The Purchaser acknowledges that, based on the current management experience and knowledge (including those of Mr. Maarten Molenaar) the Cash Contribution is amply sufficient to cover any re-organisations that would be necessary. In this respect, the Purchaser discharges the Sellers from any responsibility in respect of the continuation of the Business, the employees employed in the Business and/or the continued solvent existence of SES and Sun HML.
- 9.4 Provided that the continuity of the Business as set out in Clause 9.3 is not harmed during a period of at least 3 years from Completion, the Purchaser may grant such bonuses or remunerations to employees in the Business or to members of the MBO Team as are consistent with normal practice in the business and necessary to retain these persons for the continuity of the Business, even if such remunerations were not already agreed on before 1 January 2007.
- 9.5 To the best knowledge of the Purchaser the Cash Contribution is, in the present course of the Business, sufficient to enable the Purchaser to continue the Business in the foreseeable future, to enable SES and Sun HML to pay their debts when due and maintain as much as economically possible in effect all employment conditions currently applicable to the employees of SES and Sun HML.

10 INTELLECTUAL PROPERTY RIGHTS, INFORMATION TECHNOLOGY

- 10.1 The Purchaser shall not, and shall ensure that no Affiliated Party of the Purchaser shall, after Completion, use in any way whatsoever any trading names, domain names, or registered or unregistered trade-marks or logos which (i) contain the name "SNAP- ON" or any abbreviation thereof or any name or lettering which is likely to be confused with the same or (ii) are owned by any of the Sellers, the Sellers' Affiliated Parties or any worldwide group company of Snap-on Inc., provided that the Purchaser shall, as soon as practicable after the Completion, but in any event within 3 (three) months after the Completion Date, ensure that all such trading names, domain names, trade-marks and logos are removed from all products, business stationery and other assets held by any Affiliated Party of the Purchaser or acquired by the Purchaser pursuant to this Agreement, and from all premises occupied by the Purchaser or any Affiliated Party of the Purchaser.
- 10.2 The Purchaser shall not, and shall ensure that no Affiliated Party of the Purchaser shall, for one year after Completion, use in any way whatsoever any trading names, domain names, or registered or unregistered trade-marks or logos which contain the name "SUN" or any abbreviation thereof or any name or lettering which is likely to be confused with the same, provided that the Purchaser shall, for one year after the Completion Date, ensure that all such trading names, domain names, trade-marks and logos are removed from all products, business stationery and other assets held by any

INITIALS OF SIGNATORIES

Affiliated Party of the Purchaser or acquired by the Purchaser pursuant to this Agreement, and from all premises occupied by the Purchaser or any Affiliated Party of the Purchaser, with the exception of trade-marks and trade names that are registered in the name of Sun HML and/or SES, and with the exception of the use of the “SUN” logo, for a period of one (1) month after the Completion Date pursuant to the Transition Services Agreement.

- 10.3 Sellers or any Affiliated Party shall not, and shall ensure that no Affiliated Party of the Sellers shall, for one year after the Completion, use in any way whatsoever the names “Sun Test Systems”, “Sun Electric Systems” and “Sun HML Engineering” in a manner that is likely to be confused with the same, and shall, for one year after the Completion Date, ensure that all such names are removed from all products, business stationery and other assets held by any Affiliated Party of the Sellers or acquired by the Sellers pursuant to this Agreement, and from all premises occupied by the Sellers or any Affiliated Party of the Sellers, with the exception of trade-marks and trade names that are registered in the name of the Sellers. For the avoidance of doubt, nothing in this Clause 10.3 shall prevent the Sellers and or any worldwide group company of Snap-on Inc. to use the name “SUN” in any other names, trading names, domain names, trade-marks and/or logos.
- 10.4 Within one year after the Completion Date, the Purchaser shall design a different logo for the word “SUN” to be used in connection with the Purchaser’s or SES trademarks, taking into account the provisions of Clause 10.5, for which design the prior written approval of the Sellers is required, which approval shall not unreasonably be withheld or delayed.
- 10.5 In order not to give rise to any confusion in the public mind of there being any connection between the Sellers and their Affiliated Parties and SES and Sun HML, the Purchaser shall procure that SES, Sun HML and their Affiliated Parties, from time to time, shall ensure that any utilization of the word “SUN” in a logo shall be of the same font size and have no greater focus on “SUN” than accompanying script used in such logo and that the word “SUN” cannot be represented in any manner whatsoever in any form of logo artwork. For the avoidance of doubt, SCHEDULE 14 sets out the agreed form logo that the Purchaser shall procure to be used exclusively by SES, Sun HML and their Affiliated parties from time to time.
- 10.6 The Purchaser shall not, and shall ensure that no Affiliated Party of the Purchaser shall, after Completion, use in any way whatsoever, any intellectual property rights or information technology belonging to the Sellers and/or their Affiliated Parties and/or Snap-on Inc. and/or its Affiliated Parties for which no rights are granted in this Agreement, without prior written approval of Sellers.
- 11 FURTHER ACTION, ASSISTANCE, ACCESS TO ADMINISTRATION, TRANSITION SERVICES**
- 11.1 In the event and for so long as any Party is actively contesting or defending against any charge, complaint, suit, hearing or investigation by a third party in connection with (i) the transaction contemplated by this Agreement or (ii) any fact, circumstance, action,

INITIALS OF SIGNATORIES

failure or act or transaction on or prior to the Completion Date involving SES or Sun HML, the other Party shall co-operate with it and its counsel in the contest or defence, make available its personnel and provide such testimony and access to its books and records as shall be necessary in connection with the contest or defence, all at the sole cost and expense of the contesting or defending Party.

- 11.2 If required by any Party for the purpose of the preparation of tax filings and/or financial reporting and/or for the purpose of the defence set out in Clause 8.3, the other Party shall provide on reasonable expense, and shall cause their Affiliated Parties to provide, all reasonable co-operation to Seller UK or Seller NL in regard thereto. Such co-operation shall in any event include (i) the disclosure of all financial or other relevant information relating to SES or Sun HML and their employees and their businesses as conducted prior to the Completion Date and (ii) the permission to make copies of such financial information.
- 11.3 The Purchaser shall have the right to make use of the Services (SCHEDULE 10) for the period and in the manner set out in the Transition Services Agreement.
- 11.4 Seller NL shall provide to the Purchaser the books and records related to SES at Completion.

12 ASSIGNMENT OF RIGHTS AND OBLIGATIONS

- 12.1 The Purchaser may not assign rights and/or obligations under this Agreement to any third party.
- 12.2 In the event that the Purchaser would sell and transfer, grant any rights, acquire or arrange for any transaction with similar objective or effect, all or a substantial part of the Business and/or its assets, the Shares, whether in one transaction or in a series of transactions and whether directly, indirectly or through persons or parties that are connected or acting in connection, to a third party, who in the past has shown its interest in buying the Shares or the Business or a substantial part of it and of which Mr Maarten Molenaar had knowledge or had been involved (as will be shown by reference to the list of third parties who have received the Offering Memorandum dated June 2006), within a period of one year after the Completion Date, the Purchaser shall have the obligation to pay 80% of the price received by the Purchaser in that transaction to the Sellers.
- 12.3 The Purchaser shall immediately notify the Sellers in writing of any discussions with third parties regarding a possible transaction as described in Clause 12.2.

13 NON-COMPETITION

INITIALS OF SIGNATORIES

- 13.1 Provided that the Purchaser has not breached any of its obligations as set forth in this Agreement, the Sellers agree that they shall not, for a period of 2 (two) years after Completion, directly or indirectly, engage in activities that are competitive with hydraulic test equipment for aerospace application.
- 13.2 The Purchaser agrees not to assert any intellectual property against the Sellers and their parents and affiliates in the event such intellectual property was incorporated or used, directly or indirectly, in existing product released for sale as of the Completion Date and the Purchaser shall impose this obligation on any successor in title to such intellectual property.

14 CONFIDENTIALITY

- 14.1 Each Party undertakes not to disclose this Agreement or any information obtained in connection with the conclusion or performance of this Agreement to any third party, unless there is an obligation to disclose pursuant to the law, any regulation of any officially recognised exchange, [the 2000 Merger Code ("*SER-Fusiedragsregels 2000*") or a binding decision of the court or any other government authority. Insofar as possible, the Party making the disclosure shall consult with the other Party before the disclosure about the form and contents thereof.
- 14.2 The Purchaser and Maarten Molenaar undertake not to disclose any information relating to the Sellers, the Sellers' group of companies or Snap-on Inc. or any of its Affiliated Parties, including business, financial, commercial, technical, market or otherwise proprietary information, which they may have obtained at any time before Completion in their roles as members of a management team or otherwise.
- 14.3 The Purchaser shall use all reasonable endeavours to ensure that all employees of and any persons connected with SES and/or Sun HML do not disclose any information as meant in Clause 14.2 to any third party.

15 COSTS

- 15.1 Unless this Agreement provides otherwise, all costs incurred by a Party in preparing, concluding or performing this Agreement, are for the Party's own account. For the avoidance of doubt, Sun HML shall not pay any costs in relation to the Transaction.

16 BINDING EFFECT AND ENTIRE AGREEMENT

- 16.1 If part of this Agreement is or becomes invalid or non-binding, the Parties shall remain bound to the remaining part. The Parties shall replace the invalid or non-binding part by provisions which are valid and binding and the legal effect of which, given the contents and purpose of this Agreement, is, to the extent possible, similar to that of the invalid or non-binding part.

INITIALS OF SIGNATORIES

- 16.2 This Agreement may not be annulled rescinded or nullified (“*opgezegd*”, “*ontbonden*” of “*vernietigd*”) in whole or in part.
- 16.3 After this Agreement terminates, for whatever reason, Clauses and 14, 15, 16 and 18 shall remain effective.
- 16.4 This Agreement may only be amended or supplemented in writing.
- 16.5 With reference to the Guidelines adopted by the Royal Notarial Professional Organisation (“*Koninklijke Notariële Beroepsorganisatie*”) and concerning forms of co-operation between civil-law notaries among themselves or with “*advocaten*”, the Purchaser expressly agrees that Boekel De Nerée N.V. shall execute the notarial deed of transfer regarding the shares in SES pursuant to this Agreement or resulting in connection with the Transaction.
- 16.6 Applicability of the Vienna Sales Convention (“*Het Weens Koopverdrag 1980*”) is excluded.

17 NOTICES

- 17.1 Notices and other statements in connection with this Agreement may only be given by way of a letter sent by regular or other mail, or by telefax, and at the recipient’s place of residence as most recently nominated in accordance with sub clauses 2 and 3 or at another place of residence, with receipt confirmed. Each statement must be in the English language. A statement, which does not comply with this sub clause, shall have no effect.
- 17.2 For all matters under or pursuant to this Agreement, each Party nominates the address referred to below as its place of residence:

the Seller NL

address:
postal code and town:

for the attention of:

Schepenberweg 34
1105 AT Amsterdam
The Netherlands
Dan Garramone

the Seller UK

address:
postal code and town:

for the attention of:

Chichester House
278-282 High Holborn
London, WC1V7HA
United Kingdom
Paul Geere

INITIALS OF SIGNATORIES

Snap-on Inc.

address:
postal code and town:

for the attention of:

2801-80th Street
Kenosha, Wisconsin 53141
United States of America
Dan Garramone

the Purchaser

address:
postal code and town:

for the attention of:

Twickellaan 8
1333 SH, Almere
The Netherlands
Maarten Molenaar

17.3 A Party may nominate a different place of residence from that referred to in sub clause 2 by notifying the other Party of that new place.

18 GOVERNING LAW AND DISPUTE SETTLEMENT

18.1 This Agreement shall be governed and construed in accordance with the laws of the Netherlands.

18.2 All disputes arising in connection with this Agreement shall be finally settled by arbitration in accordance with the Rules of Netherlands Arbitration Institute ("*Nederlands Arbitrage Instituut*") by one arbitrator and the place of the arbitration Rotterdam.

18.3 The arbitral proceedings shall be conducted in Amsterdam in the English language and the tribunal shall decide in accordance with the rules of law. The arbitral proceedings cannot be consolidated with other arbitration proceedings pursuant to Section 1046 of the Code of Civil Procedure ("*Wetboek van Burgerlijke Rechtsvordering*"), unless those proceedings are conducted exclusively between the Parties. The Netherlands Arbitration Institute may not have the arbitral judgement published.

INITIALS OF SIGNATORIES

This Agreement may be executed in any number of counterparts, each of which shall constitute an original, and all counterparts shall together constitute one and the same agreement, each of equal tenor and validity,

Snap-on Europe Holding B.V.

Duinmaaijer B.V.

by: Dan Garramone
title: Proxy holder ("*gevolmachtigde*")

by: Maarten Molenaar
title: Managing Director

Snap-on UK Holding Ltd.

by: Dan Garramone
title: Director

The MBO Team agrees with this Agreement and accepts to be bound by the provisions of Clauses 14, 6.2.16, 6.2.17, 6.5, 7.2.7 and 7.2.4:

Maarten Molenaar

SES and Sun HML agree with this Agreement and accept to be bound by the provisions of Clause 10.5:

Sun Electric Systems B.V.

Sun HML Engineering Limited

by: Dan Garramone
Proxy holder of Snap-on Europe Holding B.V.,
as Managing Director of Sun Electric Systems B.V.

by: Paul Geere/Paul Clarke
title: Director

INITIALS OF SIGNATORIES

To: DUINMAAIJER B.V.

Attn: Maarten Molenaar
Twickellaan 8
1333 SH Almere
The Netherlands

From: SNAP-ON EUROPE HOLDING B.V.

Schepenbergrweg 34
1105 AT Amsterdam
The Netherlands

Amsterdam, 28 June 2007

Subject: Variation to the Sale and Purchase Agreement between Snap-on Europe Holding B.V., Snap-on UK Holdings Ltd. and Duinmaaijer B.V. of 18 May 2007 ("SPA").

Dear Maarten,

In view to fulfil the condition precedent to Completion of Clause 3.7 of the SPA, some amendments to the SPA are suggested in respect of Clause 1.1, Clause 3.8, Clause 4, Clause 8, the indemnifications with regard to pension and tax, Clause 11 and Clause 14 and the interest on the intercompany loan, in order that Completion will be effected on 29 June 2007 or as soon as possible after that date.

Clauses 3.8, 4.1 and 4.8 and the definition of "Completion" in Clause 1.1 of the SPA, are to be read as follows:-

- 3.8 In the event that the conditions set out in Clause 3.7 are not fulfilled on Completion Date, the Sellers shall have the option to waive these conditions or to terminate this Agreement with no compensation of any nature becoming due to the Purchaser. The Sellers shall notify the Purchaser ultimately three (3) days before the Completion Date whether the conditions set out in Clause 3.7 have been fulfilled and if they have not, whether such conditions are waived or termination of this Agreement is invoked. In the case that the termination of the Agreement is invoked, all of the provisions of this Agreement, save the provisions of Clauses 14, 15, 16 and 18 shall cease to apply between the Parties per the date of such notification. Only in the case that Sellers invoke the termination of this Agreement on the basis of this Clause 3.8, and the cause for the non-fulfilment of the conditions set out in Clause 3.7 is not attributable to the Purchaser's lack of co-operation pursuant to Clause 3.6, the Sellers shall compensate the Purchaser's costs made in connection with the preparation of this Transaction, which compensation shall not exceed EUR 100,000 (hundred thousand euro), in aggregate. This compensation shall be paid to the Purchaser on the basis of specified invoices issued to and paid by the Purchaser. For the avoidance of doubt, this compensation will not cover any costs of the Purchaser taking legal actions against the Seller, for whatever reason and on whatever grounds.

- 4.1 Completion shall take place at the offices of Boekel De Nerée N.V. in Amsterdam, Gustav Mahlerplein 2, 1028 MA, on 29 June 2007 or as soon as possible, after that date, not later than the seventh Business Day after notice is given by Seller NL, that the conditions set out in Clause 3.7 have been fulfilled.
- 4.8 In the event that either Party fails to perform in accordance with the provisions set out in Clause 4.2 the non-defaulting Party may, at its election, terminate this Agreement or defer Completion for 14 days in view of granting the defaulting Party a term to remedy its default. If the defaulting party has not remedied its default within said period, the non defaulting party may waive its right or may terminate the Agreement without prejudice to any of its other rights and claims (including, even if this Agreement is terminated, any right to payment of damages). In the event, however, that Completion should be deferred to a date beyond 1 October 2007, this Agreement shall be terminated by operation of law regardless of remedy still being possible.

1.1

Completion the performance of actions set out in Clause 4, to take place on 29 June 2007 or as soon as possible after fulfilment of the conditions set out in Clause 3.7, as set out in Clause 4.1, and **Completion Date** shall be the date on which Completion takes place;

Clauses 8.1, 8.2, 8.3 8.4 and 8.5 of the SPA, are to be read as follows:-

- 8.1 The Seller NL shall indemnify SES or the Purchaser (but never both) against:
- (a) any recourse that Dutch tax authorities may have against SES for corporate income tax claims that are referable to the fiscal unity to which SES has belonged immediately before the Completion Date;
 - (b) claims made by employees of SES (other than referred to in sub c) in respect of SES not being affiliated to the Metalektro association of social insurance ("*bedrijfsvereniging*") in the period preceding the Completion Date; and
 - (c) amounts duly claimed by Metalektro pension fund ("*bedrijfstakpensioenfonds Metalektro*") and (former and present) employees of SES against SES on the basis that SES should have been affiliated to that pension fund in the period of 20 (twenty) year preceding 1 July 2007 and any such claim should be referable to this period.
- 8.2 [this entire Clause is deleted]
- 8.3 In the event of any claim within the meaning of Clause 8.1, arising in whatever manner against SES, Seller NL or a person designated by Snap-on Inc. to act on behalf of Seller NL, shall conduct the defence against such claims, at its absolute discretion and under its full control. The Sellers shall only be liable for the indemnity set out in Clause 8.1 (b) and in Clause 8.1 (c) in the event that the Seller NL or any person designated by Snap-on Inc. to act on behalf of Seller NL has fully conducted at the sole discretion of Snap-on Inc. the defence against such claims or after such claims have been settled by Seller NL or any person designated by Snap-on Inc. The Sellers shall only be liable for amounts that are finally and irrevocably settled or awarded by a competent Dutch court no longer subject to appeal, taking into account the reasonable interests of SES, which shall include providing security up to the reasonably expected amount of the relevant individual claim. SES shall be fully informed about the

progress of such procedures. The Purchaser shall procure that SES shall, within its control and capabilities, fully facilitate such defence, which includes without limitation (i) giving prompt and timely notification of any claim or potential claim to Seller NL immediately after any claim has been filed to SES and (ii) providing all reasonable assistance, information and records, that SES is capable to provide in relation to the pensions, necessary to conduct the defence. Such assistance shall include, but not be limited to, making available its personnel and provide such testimony and access to its books and records as shall be necessary in connection with the contest or defence. The undertaking of the defence set out in this Clause 8.3 shall not constitute an admission of liability by Seller NL or any Snap-on group company. If SES fails to give timely and proper notice to Seller NL, with a copy to Snap-on Inc., or fails to provide assistance and timely information as set forth above, after a claim has been filed to SES pursuant to Clause 8.1 (b) and/ or Clause 8.1 (c), SES and the Purchaser shall not be entitled to the indemnities set out in Clause 8.1 (b) and/ or Clause 8.1 (c) respectively.

Both Parties undertake to keep all its books and records, other documents, information and data carriers in good condition up to the dates referred to in Clause 8.1 (b) and/or Clause 8.1 (c), and if a claim should arise pursuant to Clause 8.1 (b) and/ or 8.1 (c), until such claim is finally and definitively settled.

- 8.4 Any claim under the indemnity set out in Clause 8.1 (b) or Clause 8.1 (c) shall only be valid if such claim has been duly submitted to the Sellers in conformity with this Agreement.
- 8.5 The Sellers shall not be liable to indemnify SES or the Purchaser for the amounts that would fall under the indemnities set out in Clauses 8.1(b) and 8.1(c) in the event that such amounts arise from claims made on behalf of or initiated by Mr. Maarten Molenaar on his own behalf, irrespective of the circumstances that gave rise to such claims.

New Clause 11.5 is to be read as follows:-

- 11.5 Seller NL shall procure that all present and former employees employed at SES who are participating in the Seller NL pension plan with Fortis, the Netherlands, are separated as a specific group from the general group of participants/ employees in the Dutch Snap-on pension plan with Fortis, the Netherlands, and Seller NL shall cooperate with the conclusion of a new agreement between Fortis and SES in order to implement the aforesaid separation. The negative or beneficial value of the pensions in relation to the current scheme for the present and former employees of SES that is implemented, shall be allocated pro rata to the participants of the respective pension fund of Fortis. Seller NL shall request Fortis to take care of the separation of SES's (present and former) employees referred to above.

Clause 14.2 is to be read as follows:-

- 14.2 The Purchaser and Maarten Molenaar undertake not to disclose any information relating to the Sellers, the Sellers' group of companies or Snap-on Inc. or any of its Affiliated Parties, including business, financial, commercial, technical, market or otherwise proprietary information, which they may have obtained at any time before Completion in their roles as members of a management team or otherwise. The Purchaser and Maarten Molenaar shall not disclose, any information relating to the indemnities set out in Clause 8.1 to any person, including current and former employees of SES. Purchaser and Maarten Molenaar shall not facilitate or encourage in any way any former or present employee of SES in filing a claim against SES on the subject matter referred to in Clause 8.1 (b) or 8.1 (c), nor wil they encourage the MBO Team to do so.

To avoid misinterpretation in respect of the interest on the intercompany loan between Snap-on Finance B.V. and SES, we confirm our agreement as follows:-

Only the operational profits will go to SES from the Signing Date and the interest of the intercompany loan will be explicitly excluded from going to SES from the Signing Date.

The terms referred to in this letter shall be interpreted in accordance with the definitions set out and used in the SPA, unless defined otherwise.

This letter shall be sent by fax to:-

Snap-on Europe Holding B.V.

Dan Garramone/ Thomas Ward
Schepenbergweg 34
1105 AT Amsterdam
The Netherlands
Fax no.:

Duinmaaijer B.V.

Maarten Molenaar
Twickellaan 8
1333 SH Almere
The Netherlands
Fax no.:

A copy of this letter shall be sent by fax to:

Snap-on Inc.

Dan Garramone
2801-80th Street
Kenosha, Wisconsin 53141
United States of America
Fax no.:

Boekel De Nerée N.V.

Marein Smits
P.O. Box 75510
1070 AM Amsterdam
The Netherlands
Fax no.:

Pellicaan Advocaten

Michel Straus
Delflandlaan 1
P.O.Box 7266
1007 JG Amsterdam

Fax no.:

These amendments set out in this letter shall be effective when and if it is signed by Snap-on Europe Holding B.V., Duinmaaijer B.V. and Sun Electric Systems B.V. Please return a duly signed copy of this letter to us at your earliest convenience.

Should you have any questions or remarks, please do not hesitate to contact Marein Smits or us.

Kind regards,

Signature: _____

Name: Dan Garramone (authorised by power of attorney to sign for and on behalf of Snap-on Europe Holding B.V.)

Dated:

For Agreement:

Signature: _____

Name: Maarten Molenaar (for and on behalf of Duinmaaijer B.V.)

Dated:

Signature: _____

Name: Thomas Ward/ Dan Garramone (for and on behalf of Sun Electric Systems B.V.)

Dated:

TERMINATION AGREEMENT AND GENERAL RELEASE

THIS TERMINATION AGREEMENT AND GENERAL RELEASE (this "Agreement") is entered into as of this 29 day of April, 2007, by and between Snap-on Incorporated, a Delaware corporation (the "Company"), and Alan T. Biland (the "Executive").

For and in consideration of the mutual covenants and agreements set forth herein, the Company and the Executive agree as follows:

1. Termination of the Executive's Employment.

(a) The Executive's employment with the Company terminated effective as of April 24, 2007 (the "Termination Date"). On the Termination Date, the Executive will return to the Company all Company property in the possession of or used by the Executive, including the Executive's computer, keys and access cards.

(b) The Executive acknowledges the termination of his employment effective as of the Termination Date and hereby confirms his resignation from all offices, directorships, committees, fiduciary relationships, and trusteeships with the Company and with all of its subsidiaries, related companies, affiliates and divisions as of 5:00 p.m., Central Daylight Time, on the Termination Date. Except as otherwise specifically provided herein, all references to the Company shall include its subsidiaries, related companies, affiliates and divisions.

2. Consideration to the Executive. If the revocation right set forth in Section 3(v) below is not exercised, and subject to the Company's withholding rights and obligations under Section 12 below, the Company will pay and provide to the Executive the payments set forth in the various subsections of this Section 2 in consideration for the Executive's agreements to the releases, covenants and other agreements set forth therein. None of the payments set forth in this Section 2 will provide the Executive with any additional credit or accrual rights with respect to any retirement or other employee benefit plan of the Company. All of the payments and benefits described in this Section 2 are contingent upon the Executive's compliance with the covenants and agreements set forth herein, including the restrictive covenants in Section 6 below. In addition, the payments specified in Section 2(a) below and 2(b) below may be subject to forfeiture as provided therein. The Executive acknowledges and agrees that, upon execution hereof, if the Company complies with the terms of this Agreement, the Company will not have any other obligations to the Executive arising out of his employment with the Company.

(a) Severance Amount. The Company will pay to the Executive the amount of the Executive's annual base salary of Three Hundred Sixty-Seven Thousand Four Hundred Dollars (\$367,400) in equal monthly payments for the period from the termination date through April 23, 2008. Such payments (collectively, the "Salary Continuation Payments"), will be made on the fourth Friday of every month commencing on May 25, 2007. Notwithstanding the foregoing, the Executive's right to receive any unpaid portion of the Salary Continuation Payments will cease at such time as the Executive accepts employment with any of the Restricted Companies (as defined below). For purposes hereof, the "Restricted Companies" means any of the following companies or their respective subsidiaries: Autozone, Inc., Comwell, SPX Corporation, the tools business of The Stanley Works (including but not limited

to MAC Tools), or the tools business of Danaher Corporation (including but not limited to Matco) or any part of the business of either The Stanley Works or Danaher Corporation which involves the tools business (including any managerial position with such companies which directly or indirectly relates to the tool business of such companies). In the event the Executive accepts employment with any of the Restricted Companies, he will notify the Company via electronic mail to the attention of the Vice President and Chief Legal Officer of the Company of such acceptance and the Executive's right to receive any remaining unpaid Salary Continuation Payments will immediately cease.

(b) Lump Sum Payment. The Company will pay as additional severance to the Executive on April 24, 2009, Six Hundred Seventy-Five Thousand Dollars (\$675,000), by wire transfer to the Executive's account using wire transfer instructions to be provided separately by the Executive to the Company. Notwithstanding the foregoing, such payment will not be paid if the Executive accepts employment with any of the Restricted Companies at any time prior to April 24, 2009.

(c) Medical and Dental Plans. The Company will reimburse the Executive for the monthly cost of the participation under the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended of the Executive and his family throughout the period from the Termination Date through the first anniversary of the Termination Date (the "Coverage Period"), in the medical and dental plans in which the Executive participated as of the Termination Date (the "Plans"), that covered the Executive and eligible dependents of the Executive as of the Termination Date, or another plan or plans providing comparable benefits, at the same out of pocket cost that the Executive would have incurred for that coverage if he had remained in the employ of the Company through the end of the Coverage Period, provided that the Coverage Period will terminate as to the Plans immediately if and when the Executive obtains other employment that offers substantially similar or improved benefits. The Executive will execute such documents, if any, reasonably requested by the Company or required by law, in order to allow the Executive to receive the benefits contemplated in this Section 2(c).

(d) Stock Options and Restricted Stock. The Executive currently holds the options to purchase the Company's stock (collectively, "Stock Options") identified on Exhibit A attached hereto and identifies which of the options are qualified under Section 422 of the Internal Revenue Code of 1986, as amended and which are not so qualified. The Executive also holds 42,500 shares of restricted stock and 9,000 performance shares, none of which are vested. Effective as of the Termination Date, any unvested Stock Options and all restricted shares held by the Executive will lapse and terminate. All vested Stock Options may be exercised by the Executive in accordance with the terms of the applicable option plans and agreements on or before the dates set forth opposite each such Stock Option on Exhibit A attached hereto. To the extent that any of such vested Stock Options are not exercised prior to the date set forth opposite such Stock Option on Exhibit A attached hereto, such option will lapse and terminate.

(e) Outplacement. The Executive will be provided unlimited executive outplacement services from the firm of Lawrence, Allen & Kolbe, in Brookfield, Wisconsin, which will be at the Company's expense.

(f) Deferred Stock. The Executive will be paid all vested amounts due him under the Snap-on Incorporated Deferred Compensation Plan in accordance with the terms of such plan and the Executive's deferral elections thereunder. Exhibit B attached hereto is the most recently available information which the Company has received with respect to the Executive thereunder.

3. Release of the Company by the Executive. The Executive, with the intention of binding himself, his spouse, dependants, heirs, executors, administrators and assigns, does hereby release, acquit and forever discharge the Company, and all of its past, present and future officers, directors, employees, shareholders, agents, successors, assigns and attorneys, and employee benefit plans and programs, of and from all manner of actions, causes of action, arbitrations, suits, debts, sums of money, accounts, reckonings, bonds, covenants, controversies, agreements, promises, damages, judgments, charges, claims and demands (collectively, "Claims") that the Executive now has or may have for actions, inactions or omissions of the Company on or prior to the date of this Agreement, or arising out of any facts or circumstances existing as of the date of this Agreement, and whether arising out of the Executive's employment with the Company or otherwise including, but not limited to, Claims under the Executive Retirement Income Security Act, Claims of employment discrimination under federal, state or local laws, Claims under ADEA (as defined below), Claims under the Fair Employment Laws, Claims for violations of statute, or public policy, and any tort, contract, quasi-contract or other common law Claims; provided, however, that the foregoing release shall not apply to: (i) any breach by the Company of this Agreement; (ii) any Claims which may arise after the date this Agreement is signed; or (iii) subject to the terms and limitations therein, any Claims for indemnification under the Indemnification Agreement dated August 22, 2003, between the Company and the Executive (the "Indemnification Agreement"). The Executive acknowledges and agrees that the payments to the Executive under Section 2 above are in addition to and in lieu of any other benefits or rights the Executive may have under other stock option or incentive plan or long-term incentive or other compensation plan and that the Executive will receive no payments or benefits under any of such other plans including the Company's 2007 Management Incentive Plan, any of the Company's long-term incentive plans (including the 2005-2007, 2006-2008 and 2007-2009 long-term incentive plans), or the Company's Employee Stock Plan. The Executive hereby expressly gives up any and all rights to any benefits otherwise payable under any of the Company's severance plans and policies or incentive plans or programs, except as provided herein, and the Executive hereby expressly waives the benefits of any statute or rule of law which, if applied to this release, would otherwise exclude from its binding effect any Claims not known by the Executive to exist which arose prior to the signing of this Agreement.

The Executive agrees and expressly acknowledges that this Agreement includes a waiver and release of all claims which the Executive has or may have under the Age Discrimination in Employment Act of 1967, as amended, 29 U.S.C. § 621, et seq. ("ADEA"). The following terms and conditions apply to and are part of the waiver and release of the ADEA claims under this Agreement:

- (i) This Agreement is written in a manner calculated to be understood by the Executive.

(ii) The waiver and release of claims under the ADEA contained in this Agreement does not cover rights or claims that may arise after the date on which the Executive signs this Agreement.

(iii) This Agreement provides for consideration in addition to anything of value to which the Executive is already entitled.

(iv) The Executive is granted 21 days after the Executive is presented with this Agreement to decide whether or not to sign this Agreement. This period will expire on May 15, 2007. If the Executive executes this Agreement prior to the expiration of such period, the Executive does so voluntarily and after having had the opportunity to consult with an attorney.

(v) The Executive will have the right to revoke this Agreement within seven days of signing this Agreement. In the event this Agreement is revoked, this Agreement will be null and void in its entirety, and the Executive will not receive the payments described in Section 2 above. Any revocation should be communicated in writing by personal delivery or by first-class mail to:

Vice President and Chief Legal Officer
Snap-on Incorporated
P.O. Box 1410
2810-80th Street
Kenosha, Wisconsin 53141-1410

If the Executive does not exercise his right to revoke this Agreement, it will become effective on the eighth day after he has signed it.

4. Advice of Counsel. The Executive represents and warrants that he has read this Agreement, that he has had adequate time to consider it, that he has been advised by the Company to consult with an attorney and has consulted with an attorney prior to executing this Agreement, that he understands the meaning and application of this Agreement and that he has signed this Agreement knowingly, voluntarily and of his own free will with the intent of being bound by it.

5. Severability; Modification of Agreement. If any provision of this Agreement shall be found invalid or unenforceable in whole or in part, then such provisions shall be deemed to be modified or restricted to the extent and in the manner necessary to render the same valid and enforceable or shall be deemed excised from this Agreement as such circumstances may require, and this Agreement shall be construed and enforced to the maximum extent permitted by law as if such provision had been originally incorporated herein as so modified or restricted or as if such provision had not been originally incorporated herein, as the case may be.

6. Restrictive Covenants.

(a) No Solicitation of Customers, Distributors, Franchisees or Suppliers. For the consideration paid in Section 2 above, for the period from the Termination Date through

April 24, 2009 (the "Restricted Period"), the Executive shall not directly or indirectly, either individually or acting in concert, attempt in any manner to solicit and/or otherwise persuade or induce any person or entity who is or has been during the two year period prior to the date hereof a customer, distributor, franchisee or supplier of the Company to cease to do business with or cancel its business with the Company, to reduce the amount of business which any such customer, distributor, franchisee or supplier or former customer, distributor or supplier has customarily done or contemplated doing with the Company or to refrain from increasing the amount of business with the Company.

(b) No Solicitation of Employees. For the consideration paid in Section 2 above, during the Restricted Period, the Executive shall not directly or indirectly, either individually or acting in concert, solicit for employment or retention any individual who is an employee, agent or representative of the Company as of the date hereof, or influence or attempt to influence any employee of the Company to terminate his or her employment with the Company.

(c) Restricted Companies. The Executive acknowledges and agrees that the Executive's rights to any unpaid Salary Continuation Payments under Section 2(a) above or the lump-sum payment under Section 2(b) above, will cease and terminate as provided therein in the event the Executive accepts employment with any of the Restricted Companies.

7. Confidentiality of Terms; No Disparagement; and Confidential Information.

(a) This Agreement and all matters relating to or leading up to the negotiation and effectuation of this Agreement are confidential and will not be disclosed to any third party except (i) to accounting and tax advisors and to employees and administrative personnel of the Company with a need to know to the extent necessary to perform services or (ii) as required by law, rule or regulation.

(b) The Executive agrees that he will conduct himself in a professional manner and not make any disparaging, negative or other statements regarding the Company, or any of the Company's officers, directors or employees which could reasonably be believed in any way to have an adverse effect on the business or affairs of the Company or otherwise be injurious to or not be in the best interests of the Company, any such other persons.

(c) The Company agrees that it will conduct itself, and will cause its respective directors and officers to conduct themselves, in a professional manner and not make any disparaging, negative or other statements regarding the Executive, his professional qualifications, his employment relationship with the Company or the termination thereof, or any similar matter which could reasonably be believed in any way to have an adverse effect on the Executive's professional reputation or prospects or personal affairs or otherwise be injurious to or not be in the best interests of the Executive.

(d) The Executive agrees to keep all Confidential Information (as defined below) in confidence and as private and privileged records of the Company and will not divulge or disclose any Confidential Information at any time. Confidential Information is highly valuable to the Company, and disclosure of such information would cause serious competitive

harm. "Confidential Information" is any and all information relating to the Company's (including all affiliated companies) private or proprietary matters, confidential matters or trade secrets and includes, but is not limited to, information of a technical nature, such as methods, know-how, formulas, compositions, processes, discoveries, machines, inventions, ideas, computer programs, software, data, data analysis, data compilations, research projects, and business information concerning the Company's strategies, products, production, development, costs, purchasing, pricing, profits, market, sales, accounts, customers, franchisees, financing, expansions, and other information relating to its business practices or policies.

8. No Assistance in Litigation. The Executive agrees not to aid in, voluntarily assist in, or encourage the pursuit of litigation or any other form of legal or administrative proceeding against the Company by any other person or entity. In the event that the Executive is required to divulge or make any disclosure of any confidential information relating to his knowledge of the Company pursuant to a court order or subpoena, the Executive agrees to provide written notice of such legal process to the Company within three business days of the Executive's receipt of the legal process. At no time shall the Executive accept any payment, other than statutory witness fees, to testify in any legal proceeding or arbitration against the Company.

9. Release of the Executive by the Company. The Company, on behalf of itself and its present and former directors, officers, agents, representatives and employees, hereby releases the Executive from any and all Claims whatsoever that any of them has or may have against the Executive relating to any action, inaction or omission of the Executive prior to the date of this Agreement or any facts or circumstances existing as of the date of this Agreement, and whether arising out of the Executive's employment with the Company or otherwise; provided, however, that this release does not apply to (i) any breach or failure by the Executive to perform his obligations under this Agreement, (ii) any criminal act on the part of the Executive directly and adversely affecting the Company, (iii) any Claim which may arise after the date this Agreement is signed, or (iv) any Claim of the Company under the Indemnification Agreement.

10. Acknowledgment of the Executive. The Executive acknowledges that he is not aware of any violation by the Company or any of its officers or directors of any law, rule or regulation or of any policy of the Company (including any applicable code of conduct) which could have a material effect on the Company.

11. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto and their respective successors and assigns. Notwithstanding the foregoing, neither this Agreement nor any rights hereunder may be assigned to any party by the Company or the Executive without the prior written consent of the other party hereto.

12. Entire Agreement. The Executive and the Company each represent and warrant that no promise or inducement has been offered or made except as set forth herein and that the consideration stated herein is the sole consideration for this Agreement. This Agreement contains the entire agreement between the parties with respect to payments to be made by the Company to the Executive and the obligations of the Executive and the Company regarding non-competition, non-solicitation, confidentiality and nondisparagement, superseding all prior

agreements. The parties agree that it is their intent that this Agreement be fair and reasonable to both parties.

13. Withholding. The Company may withhold from any amounts payable under this Agreement and pay over to the appropriate taxing authority such federal, state, or local taxes as shall be required to be withheld pursuant to any applicable law or regulation.

14. Remedies for the Company. Nothing in this Agreement, including the provisions of Sections 2(a) above and 2(b) above, which require the forfeiture of payments by the Executive, will be deemed to limit the remedies of the Company for breach of this Agreement by the Executive or create any liquidated damages for the Company. The Executive acknowledges and agrees that the Company will have all rights and remedies available at law or in equity, including the ability to obtain specific performance, to enforce the terms of this Agreement.

THE EXECUTIVE ACKNOWLEDGES THAT HE WAS GIVEN, PRIOR TO SIGNING THIS AGREEMENT, A PERIOD OF AT LEAST 21 DAYS FROM DELIVERY TO HIM OF THIS AGREEMENT WITHIN WHICH TO CONSIDER THIS AGREEMENT.

PLEASE READ CAREFULLY. THIS AGREEMENT CONTAINS A RELEASE OF KNOWN AND UNKNOWN CLAIMS.

THE EXECUTIVE:

THE COMPANY:
SNAP-ON INCORPORATED

/s/ Alan T. Biland
Alan T. Biland

By: /s/ Iain Boyd

Name:
Title:

Iain Boyd
Vice
President
Human
Resources

Date: April 29, 2007

Date: May 8, 2007

EXHIBIT A
VESTED OPTIONS FOR ALAN T. BILAND

Number of Vested Options	Executive Price Per Share	Date of Grant	Expiration Date for Exercise of Options
2,185 *	\$ 45.75	April 6, 1998	July 24, 2007
2,815	\$ 45.75	April 6, 1998	October 24, 2007
5,796 *	\$ 34.50	January 22, 1999	July 24, 2007
6,204	\$ 34.50	January 22, 1999	October 24, 2007
3,405 *	\$ 29.36	April 27, 2001	July 24, 2007
16,595	\$ 29.36	April 27, 2001	October 24, 2007
10,000	\$ 26.23	June 21, 2001	October 24, 2007
3,103 *	\$ 32.22	January 25, 2002	July 24, 2007
16,897	\$ 32.22	January 25, 2002	October 24, 2007
3,982 *	\$ 25.11	January 24, 2003	July 24, 2007
9,518	\$ 25.11	January 24, 2003	October 24, 2007
3,172 *	\$ 31.52	January 23, 2004	July 24, 2007
10,328	\$ 31.52	January 23, 2004	October 24, 2007
14,000	\$ 33.75	February 18, 2005	October 24, 2007
16,000	\$ 31.48	April 1, 2005	October 24, 2007
21,000	\$ 39.35	February 16, 2006	October 24, 2007

*The options are incentive stock options under Section 422 of the Internal Revenue Code of 1986, as amended. All other options are not qualified under such Section 422.

CERTIFICATIONS

I, Jack D. Michaels, 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 25, 2007

/s/ Jack D. Michaels
Jack D. Michaels
Chief Executive Officer

CERTIFICATIONS

I, Martin M. Ellen, 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 25, 2007

/s/ Martin M. Ellen

Martin M. Ellen

Principal Financial Officer

**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 June 30, 2007, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Jack D. Michaels 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/ Jack D. Michaels
Jack D. Michaels
Chief Executive Officer
July 25, 2007

**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 June 30, 2007, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Martin M. Ellen as Principal Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. § 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/ Martin M. Ellen
Martin M. Ellen
Principal Financial Officer
July 25, 2007