

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the fiscal year ended January 1, 2000

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

Commission File Number 1-7724

SNAP-ON INCORPORATED
(Exact name of registrant as specified in its charter)

Delaware	39-0622040
-----	-----
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
10801 Corporate Drive, Pleasant Prairie, Wisconsin	53158-1603
-----	-----
(Address of principal executive offices)	(Zip code)

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

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

Title of each class	Name of exchange on which registered
-----	-----
Common stock, \$1 par value	New York Stock Exchange
Preferred stock purchase rights	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

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

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

Aggregate market value of voting stock held by non-affiliates of the registrant at February 28, 2000: \$1,309,772,474

Number of shares outstanding of each of the registrant's classes of common stock at February 28, 2000: Common stock, \$1 par value, 58,551,912 shares

Documents incorporated by reference

Portions of the Corporation's Annual Report to Shareholders for the fiscal year ended January 1, 2000, are incorporated by reference into Parts I, II and IV of this report.

Portions of the Corporation's Proxy Statement, dated March 28, 2000, prepared for the Annual Meeting of Shareholders scheduled for April 28, 2000, are incorporated by reference into Part III of this report.

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PART I

Item 1: Business

Snap-on Incorporated (the "Corporation" or "Snap-on") was incorporated under the laws of the state of Wisconsin in 1920 and reincorporated under the laws of the state of Delaware in 1930. Snap-on's mission is to delight its customers by providing productivity-enhancing, innovative products, services and solutions. Snap-on is a leading global developer, manufacturer and marketer of professional tools, diagnostics equipment and related services marketed in more than 150 countries. Long known as a quality and performance leader in professional tools and tool storage, Snap-on offers a wide range of capabilities and solutions for professional tool users in vehicle service, industrial and other commercial applications worldwide. The Corporation's largest geographic markets include the United States, Australia, Brazil, Canada, France, Germany, Japan, Mexico, the Netherlands, Spain, Sweden and the United Kingdom. Customers include professional vehicle service technicians, independent automotive repair and body shops, franchised service centers, specialty repair shops, automotive dealerships, vehicle manufacturers, government, and industrial and commercial tool and equipment users worldwide. The originator of the dealer van distribution channel, Snap-on also reaches its customers through company direct and distributor channels where appropriate.

The Corporation's segments are based on the organization structure that is used by management for making operating and investment decisions, and for assessing

performance. Based on this management approach, the Corporation has two reportable segments: Global Transportation and Global Operations. The Global Transportation segment consists of the Corporation's business operations serving the dealer van channel worldwide. The Global Operations segment consists of the business operations serving the direct sales and distributor channels worldwide. These two segments derive revenues primarily from the sale of tools and equipment. Additional information about the Corporation's business segments, customers, domestic and international operations and products and services is provided in Note 15 entitled "Segments" on pages 42 and 43 of the Corporation's 1999 Annual Report, incorporated herein by reference.

During 1999, the Corporation acquired the Sandvik Saws and Tools business, now operating as the Bahco Group AB ("Bahco"), three other new business operations and the remaining 40% interest in Mitchell Repair Information Company, LLC ("MRIC"). Each of the acquisitions provides the Corporation with a complementary product line, new customer relationships, access to additional distribution and/or extended geographic reach. Bahco is a manufacturer and supplier of professional tool products and employs approximately 2,400 people. Of those, approximately 1,000 employees are in Sweden. Products are manufactured at 11 plants in Sweden, the United States, Argentina, England, France, Germany and Portugal. MRIC is a major provider of print and electronic versions of vehicle mechanical and electrical repair information and of shop management software to repair and service establishments throughout North America. In the fourth quarter of 1999, the Corporation sold a 15% interest in MRIC to Genuine Parts Company and entered into a strategic alliance to enhance and expand the e-business efforts of both companies. The combined effort unites the electronic, online replacement parts ordering capabilities of Genuine Parts Automotive Parts Group with the online repair information capabilities of MRIC.

In 1998, the Corporation's board of directors approved Project Simplify, a broad program of internal rationalizations, consolidations and reorganizations to make the Corporation's business operations simpler and more effective. Project Simplify was essentially completed and fully provided for as of January 1, 2000. Additional information regarding Project Simplify can be found on pages 20 and 21, Management's Discussion and Analysis, and in Note 14 entitled "Restructuring" on pages 41 and 42 of the Corporation's 1999 Annual Report, incorporated herein by reference.

Products and Services

The Corporation derives income from the manufacture, marketing and distribution of its products and related services. Income is also derived from the financing of certain of the Corporation's products, primarily through a 50%-owned joint venture. The Corporation's two reportable business segments offer a broad line of products and complementary services which can be divided into two groups: tools and equipment. The following table shows the approximate percentage of consolidated sales for each of these product groups in each of the past three years.

Product Group	% of Sales		
	1999	1998	1997
	----	----	----
Tools	59%	52%	55%
Equipment	41%	48%	45%
	----	----	----
	100%	100%	100%

The tools product group includes hand tools, power tools and tool storage products. Hand tools include wrenches, screwdrivers, sockets, pliers, ratchets, saws and cutting tools, pruning tools and other similar products. Power tools include pneumatic (air), cord-free (battery) and corded (electric) tools such as impact wrenches, ratchets, chisels, drills, sanders, polishers and similar

products. Tool storage units include tool chests, roll cabinets and other similar products. The majority of products are manufactured by Snap-on and in completing the product line, some items are purchased from external manufacturers.

The equipment product group includes hardware and software solutions for the diagnosis and service of automotive and industrial equipment. Products include engine analyzers, air conditioning service equipment, brake service equipment, wheel balancing and alignment equipment, transmission troubleshooting equipment, vehicle emissions and safety testing equipment, battery chargers, lifts and hoists, diagnostics equipment service and collision repair equipment. Also included are service and repair information products, online diagnostics services, management systems, point-of-sale systems, integrated systems for vehicle repair shops, and purchasing facilitation services. In the United States, the Corporation supports the sale of its diagnostics and shop equipment by offering training programs. These programs offer certification in both specific automotive technologies and in the application of specific diagnostics equipment developed and marketed by the Corporation.

Tools and equipment are marketed under a number of brand names and trademarks, many of which are well known in the vehicle service and industrial markets served. Some of the major trade names and trademarks and the products and services with which they are associated include the following:

Trademarks -----	Products and Services -----
Snap-on	Hand tools, power tools, tool storage units, and certain equipment
Blue-Point	Hand tools, power tools, tool storage units
Acesa	Hand tools
Bahco	Hand tools
Fish & Hook	Hand tools
Irimo	Hand tools
Lindstrom	Hand tools
Palmera	Hand tools
Pradines	Hand tools
Sandflex	Hand tools
Williams	Hand tools
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ATI	Tools and equipment for aerospace and industrial applications
Sioux	Power tools
Sun	Diagnostics and service equipment
Balco	Engine diagnostics
White	Equipment to recover, recycle and recharge refrigerant in vehicle air-conditioning systems and other fluid handling equipment
John Bean	Under-car and other service equipment

Wheeltronic ltd.	Hoists and lifts for vehicle service shops
Texo Sollevatori	Hoists and lifts for vehicle service shops
Hofmann	Wheel balancers, lifts, tire changers and aligners
GS	Wheel service equipment
Brewco	Collision repair equipment
Hein-Werner	Collision repair equipment
Blackhawk	Collision repair equipment
Mitchell Repair	Repair and service information and shop management systems
ShopKey	Repair and service information and shop management systems
EquiServe	Diagnostic equipment service

Snap-on Credit LLC ("the LLC"), a joint venture with Newcourt Financial USA Inc. ("Newcourt"), an affiliate of CIT Group, offers credit programs that facilitate the sale of many of the Corporation's products and services. On January 3, 1999, the Corporation established the LLC to provide financial services to the Corporation's global dealer and customer networks. The LLC joint venture is 50% owned by the Corporation and 50% owned by Newcourt. The joint venture operations were established initially in the United States and will be expanded globally. As a result of the establishment of the joint venture, the Corporation effectively outsourced to the LLC its captive credit function, previously managed by the Corporation's wholly owned subsidiary, Snap-on Credit Corporation. Additional information about the LLC is provided in Note 5 entitled "Receivables" on page 33 of the Corporation's 1999 Annual Report, incorporated herein by reference.

Through contracts, extended credit is offered to technicians to enable them to purchase tools and equipment that can be used to generate income while they pay for the products over time. Financing, in a lease format, is also offered to shop owners, both independent and national chains, who purchase equipment items, which typically are higher-price-point products than tools. The duration of lease contracts is often two-to-three times that of extended credit contracts.

Financing is also made available to new dealers, whereby a 10-year loan is originated to enable the dealer to fund the purchase of the franchise and the related working capital needs, primarily inventory and customer receivables.

Currently, the majority of the finance income is derived from the vehicle service industry in North America. Internationally, the Corporation continues to directly provide financing to its dealer and customer network.

Market Sectors Served

The Corporation markets and distributes its products and related services principally to professional tool and equipment users around the world. The largest two market sectors are the vehicle service and repair sector, and the industrial sector.

Vehicle Service and Repair Sector

The vehicle service and repair sector has three main customer groups:

professional technicians, who purchase tools and equipment for themselves; service and repair shop owners and managers -- including independent shops, national chains and automotive dealerships, who purchase equipment for use by multiple technicians within a service or repair facility; and vehicle manufacturers.

The Corporation provides innovative tool and equipment solutions, as well as technical sales support and training, to meet technicians' evolving needs. Snap-on's dealer van distribution system offers technicians the convenience of purchasing quality tools with minimal disruption of their work routine. The Corporation also serves owners and managers of shops where technicians work with tools, diagnostics equipment, repair and service information, and shop management products. Snap-on provides vehicle manufacturers products and services including tools, facilitation services for the purchase and distribution of equipment, and consulting services.

Major challenges for the Corporation and the vehicle service and repair industry include the increasing rate of technological change within motor vehicles and the resulting impact on the businesses of both suppliers and customers that is necessitated by such change.

Industrial Sector

The Corporation markets its products to a wide variety of industrial customers, including industrial maintenance and repair facilities; manufacturing and assembly operations; government facilities; schools; and original equipment manufacturers ("OEMs") that require instrumentation or service tools and equipment for their products.

Major challenges in the industrial sector include a highly competitive, cost-conscious environment, and a trend toward customers making all of their tool purchases through one integrated supplier. The Corporation believes it is currently a meaningful participant in the market sector for industrial tools and equipment.

Distribution Channels

The Corporation serves customers primarily through three channels of distribution: dealer/tech reps, company direct sales, and distributors. The following discussion represents the Corporation's general approach in each channel, and is not intended to be all-inclusive.

Dealer/Tech Rep Organization

In the United States, the majority of sales to the vehicle repair industry are conducted through the Corporation's dealer network and its tech rep system. Snap-on's mobile dealer van system ("Dealers") primarily covers vehicle service technicians and shop owners, providing weekly contact at the customer's place of business. Dealers' sales are concentrated in hand and power tools, tool storage units and small diagnostic and shop equipment, which can easily be transported in a van and demonstrated during a brief sales call. Dealers purchase the Corporation's products at a discount from suggested retail prices and resell them at prices of the dealer's choosing. Although some dealers have sales areas defined by other methods, most U.S. Dealers are provided a list of places of business which serves as the basis of the dealer's sales route.

Since 1991, all new U.S. Dealers, and a majority of existing U.S. Dealers, have been enrolled as franchisees of the Corporation. The Corporation currently charges initial and ongoing monthly license fees, which do not add materially to the Corporation's revenues. The Corporation makes it possible for prospective Dealer candidates to work as employee sales representatives, at salary plus commission, prior to making an investment in a franchise. In addition, through the LLC, financial assistance is provided to newly converted franchised dealers and other new franchise Dealers, which could include financing for initial license fees, inventory, revolving accounts receivable acquisition, equipment, fixtures, other

expenses and an initial checking account deposit. At year-end 1999, approximately 90% of all U.S. Dealers were enrolled as franchisees versus approximately 89% for 1998.

The Corporation services and supports its dealers with an extensive field organization of branch offices and service and distribution centers. The Corporation also provides sales training, customer and Dealer financial assistance, and marketing and product promotion programs to strengthen dealer sales. A National Dealer Advisory Council, composed of and elected by dealers, assists the Corporation in identifying and implementing enhancements to the franchise program.

In the United States, Dealers are supported by the Snap-on/Sun tech rep system employee sales force. Tech reps are specialists who demonstrate and sell higher-price-point diagnostics and shop equipment, as well as shop management information systems. Tech reps work independently and with Dealers to identify and generate sales leads among vehicle service shop owners. Tech reps are compensated primarily on the basis of commission; Dealers receive a brokerage fee from certain sales made by the Tech Specialists to the Dealer's customers.

Most products sold through the Dealer/tech rep organization are sold under the Snap-on or Sun brand names.

The Corporation has replicated its Dealer van method of distribution in certain countries, including Australia, Canada, Germany, Mexico, Benelux Countries, South Africa, Japan and the United Kingdom. In many of these markets, as in the United States, purchase decisions are generally made or influenced by professional vehicle service technicians and shop owners. The Corporation markets products in certain other countries through its subsidiary, Snap-on Tools International, Ltd., which sells to foreign distributors under license or contract with the Corporation.

Company Direct Sales

In the United States, a growing proportion of sales of Sun and other Snap-on branded shop equipment, including John Bean, Wheeltronic, White and Hoffmann, are made by a direct sales force that has responsibility for national accounts. As the automotive service and repair industry consolidates (with more business conducted by national chains, automotive dealerships and franchised service centers) these larger organizations can be serviced most effectively by sales people who can demonstrate and sell the full line of products and services. The Corporation also sells its products and services directly to vehicle manufacturers.

Tools and equipment are marketed to industrial and governmental customers in the United States through industrial sales representatives, who are employees, and independent industrial distributors. In most markets outside the United States, industrial sales are conducted through distributors. The sales representatives focus on industrial customers whose main purchase criteria are quality and service, as well as on certain OEM accounts. At the end of 1999, the Corporation had industrial sales representatives in the United States, Australia, Canada, Japan, Mexico, Puerto Rico, and some European countries, with the United States representing the majority of the Corporation's total industrial sales.

Distributors

Sales of certain tools and equipment are made through vehicle service and industrial distributors, who purchase the items from Snap-on and resell them to the end users. Products supplied by Bahco, under the Bahco, Sandflex, Fish & Hook, Pradines and Lindstrom brands and trade names, for example, are sold through distributors in Europe, North and South America, Asia and certain other parts of the world. Under-car and other vehicle service equipment, sold through distributors primarily under brands including John Bean and Hofmann, as well as hand tools under brands including Irimo, Palmera and Acesa, are differentiated from those products sold through the dealer/tech rep and direct sales channels.

Sun brand equipment is marketed through distributors in South America and Asia, and through both a direct sales force and distributors in Europe. In addition, through its J.H. Williams division, the Corporation manufactures specially designed products for Lowe's Companies Inc. under the Lowe's brand name, known as Kobalt(TM) which are marketed in more than 500 Lowe's outlets.

E-commerce

Snap-on's e-commerce development initiatives are expected to allow Snap-on to match the capabilities of the Internet with Snap-on's existing brand sales and distribution strengths and to reach new customer segments. These initiatives are being designed to further leverage the one-on-one relationships and service Snap-on currently has with its customers. With

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business-to-business and business-to-consumer capabilities, the Corporation and its dealers will be enlarging communications with customers on a real-time, 24-hour, 7-days a week basis.

Competition

The Corporation competes on the basis of its product quality, service, brand awareness and technological innovation. While no one company competes with the Corporation across all of its product lines and distribution channels, various companies compete in one or more product categories and/or distribution channels.

The Corporation believes that it is a leading manufacturer and distributor of its products for the customers it serves in the vehicle service industry, and that it offers the broadest line of products to the vehicle service industry. The major competitors selling to professional technicians in the vehicle service and repair sector through the mobile van channel include MAC Tools (The Stanley Works) and Matco (Danaher Corporation). The Corporation also competes with companies that sell through non-mobile van distributors; these competitors include Facom (Fimalac), Sears, Roebuck and Co., and The Stanley Works. In the industrial sector, major competitors include Armstrong (Danaher Corporation), Cooper Industries, Inc. and Proto (The Stanley Works). The major competitors selling diagnostics and shop equipment to shop owners in the vehicle service and repair sector include Corghi S.p.A., Facom (Fimalac), Hennessy (Danaher Corporation), Hunter Engineering, SPX Corporation and Pentair, Inc.

Raw Materials and Purchased Product

The Corporation's supply of raw materials (including primarily various grades and alloys of steel bars and sheets) and purchased components are readily available from numerous suppliers.

The majority of 1999 consolidated net sales consisted of products manufactured by the Corporation. The remainder was purchased from outside suppliers. No single supplier's products accounted for a material portion of 1999 consolidated net sales.

Patents and Trademarks

The Corporation vigorously pursues and relies on patent protection to protect its inventions and its position in its markets. As of January 1, 2000, the Corporation and its subsidiaries held 947 patents worldwide, with another 650 pending patent applications. No sales relating to any single patent represented a material portion of the Corporation's revenues in 1999.

Examples of products that have features or designs that benefit from patent protection include engine analyzers, serrated jaw open-end wrenches, wheel alignment systems, wheel balancers, sealed ratchets, electronic torque wrenches, ratcheting screwdrivers, emissions-sensing devices and air conditioning equipment.

Much of the technology used in the manufacturing of vehicle service tools and equipment is in the public domain. The Corporation relies primarily on trade secret protection to protect proprietary processes used in manufacturing. Methods and processes are patented when appropriate.

Trademarks used by the Corporation are of continuing importance to the Corporation in the marketplace. Trademarks have been registered in the United States and 78 other countries, and additional applications for trademark registrations are pending. The Corporation vigorously polices proper use of its trademarks.

The Corporation's right to manufacture and sell certain products is dependent upon licenses from others. These products do not represent a material portion of the Corporation's sales.

Working Capital

Because most of the Corporation's business is not seasonal, and its inventory needs are relatively constant, no unusual working capital needs arise during the year.

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The Corporation's use of working capital is discussed in "Management's Discussion and Analysis of Results of Operations and Financial Condition," on pages 22 and 23 of the Corporation's 1999 Annual Report and is incorporated herein by reference.

The Corporation does not depend on any single customer, small group of customers or government for any material part of its sales, and has no significant backlog of orders.

Environment

The Corporation complies with applicable environmental control requirements in its operations. Compliance has not had, and the Corporation does not for the foreseeable future expect it to have, a material effect upon the Corporation's capital expenditures, earnings or competitive position.

Employees

At the end of 1999, the Corporation employed approximately 14,000 people, of whom approximately 36% are engaged in manufacturing activities.

Item 2: Properties

The Corporation maintains both leased and owned manufacturing, warehouse distribution and office facilities throughout the world. The Corporation believes that its facilities are well maintained and have a capacity adequate to meet the Corporation's present and foreseeable future demand. The Corporation's United States facilities occupy approximately 4.7 million square feet, of which approximately 74 % is owned. The Corporation's facilities outside the United States contain approximately 4.5 million square feet, of which approximately 66 percent is owned. Included are the Corporation's owned corporate and general offices located in Pleasant Prairie, Wisconsin and Kenosha, Wisconsin, respectively.

The Corporation's principal manufacturing locations and distribution centers are as follows:

Location	Type of property	Owned/Leased
-----	-----	-----
Conway, Arkansas	Manufacturing	Owned
City of Industry, California	Manufacturing	Leased
Escondido, California	Manufacturing	Owned
San Jose, California	Manufacturing	Leased

Columbus, Georgia	Manufacturing	Owned
Crystal Lake, Illinois	Distribution	Owned
Mt. Carmel, Illinois	Manufacturing	Owned
Algona, Iowa	Manufacturing	Owned
Sioux City, Iowa	Manufacturing	Owned
Olive Branch, Mississippi	Distribution	Leased and owned
Carson City, Nevada	Distribution	Leased and owned
Robesonia, Pennsylvania	Distribution	Owned
Poway, California	Distribution and manufacturing	Leased
Elizabethton, Tennessee	Manufacturing	Owned
Johnson City, Tennessee	Manufacturing	Owned
Milan, Tennessee	Manufacturing	Owned
Baraboo, Wisconsin	Manufacturing	Leased
East Troy, Wisconsin	Manufacturing	Owned
Elkhorn, Wisconsin	Manufacturing	Owned
Kenosha, Wisconsin	Manufacturing	Owned

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Milwaukee, Wisconsin	Manufacturing	Owned
Santo Tome, Argentina	Manufacturing	Owned
Barbara D'oeste, Brazil	Manufacturing	Owned
Mississauga, Canada	Manufacturing	Leased
Newmarket, Canada	Distribution and manufacturing	Owned
Kettering, England	Distribution	Owned
Rotherham, England	Manufacturing	Leased
King's Lynn England	Distribution and manufacturing	Owned
Pfungstadt, Germany	Manufacturing	Leased
Unterneukirchen, Germany	Manufacturing	Leased
Wuppertal, Germany	Manufacturing	Leased
Sopron, Hungary	Manufacturing	Owned
Correggio, Italy	Manufacturing	Owned
Helmond, Netherlands	Distribution	Owned
Veenendaal, Netherlands	Distribution	Leased
Vila do Conde, Portugal	Manufacturing	Owned
Irun, Spain	Manufacturing	Owned
Urretxu, Spain	Manufacturing	Owned
Vitoria, Spain	Distribution and manufacturing	Owned
Bollnas, Sweden	Manufacturing	Owned
Edsbyn, Sweden	Manufacturing	Owned
Enköping, Sweden	Manufacturing	Owned
Lidköping, Sweden	Manufacturing	Owned
Sandviken, Sweden	Distribution	Leased

Item 3: Legal Proceedings

During 1999, the Corporation settled litigation involving Tejas Testing Technology One, L.C. and Tejas Testing Technology Two, L.C. The Corporation is involved in a suit with SPX Corporation. Further information is described in Note 13 entitled "Commitments and Contingencies" to the Financial Statements of the Corporation on pages 40 and 41 of its 1999 Annual Report, which is incorporated herein by reference.

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

There was no matter submitted to a vote of the shareholders during the fourth quarter of the fiscal year ending January 1, 2000.

Executive Officers of the Registrant

The executive officers of the Corporation, their ages as of January 1, 2000, and their current titles and positions held during the last five years are listed below.

Robert A. Cornog (59) - Chairman, President and Chief Executive Officer since July 1991. A Director since 1982.

Branko M. Beronja (65) - Executive Vice President since October 1998. Senior Vice President - Diagnostics from February 1998 to October 1998. Senior Vice President - Diagnostics, North America from April 1996 to February 1998. President North American Operations from April 1994 to April 1996, and Vice President - Sales, North America from August 1989 to April 1994. A Director since January 1997.

Frederick D. Hay (55) - Senior Vice President - Operations since October 1998. Senior Vice President - Transportation from February 1996 to October 1998. Prior to joining Snap-on, he was President of the Interior Systems and Components Division of UT Automotive, a business unit of United Technologies Corporation, from December 1989 to January 1996.

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Donald S. Huml (53) - Senior Vice President - Finance and Chief Financial Officer since August 1994. Prior to joining Snap-on, he was Vice President and Chief Financial Officer of Saint-Gobain Corporation from December 1990 to August 1994.

Michael F. Montemurro (51) - Senior Vice President - Transportation since October 1998. Senior Vice President Financial Services and Administration from August 1994 to October 1998. Senior Vice President - Financial Services, Administration and Chief Financial Officer from April 1994 to August 1994. Senior Vice President - Finance and Chief Financial Officer from March 1990 to April 1994.

Neil T. Smith (45) - Controller since November 1997. Financial Controller from June 1997 to November 1997. Director of Financial Analysis and Planning from December 1994 to May 1997. Prior to joining Snap-on, he was Director of Finance for the Nielsen Marketing Research Division of Dun and Bradstreet Corporation from January 1991 to December 1994.

Susan F. Marrinan (51) - Vice President, Secretary and General Counsel since January 1992.

There is no family relationship among the executive officers and there has been no involvement in legal proceedings during the past five years that would be material to the evaluation of the ability or integrity of any of the executive officers. Executive officers may be elected by the board of directors or appointed by the Chief Executive Officer at the regular meeting of the board of directors which follows the Annual Shareholders' Meeting, held on the fourth Friday of April each year, and at such other times as new positions are created or vacancies must be filled.

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Item 5: Market for Registrant's Common Equity and Related Stockholder Matters

Since 1995, the Corporation has undertaken stock repurchases from time to time to prevent dilution created by shares issued for employee and dealer stock purchase plans, stock options and other corporate purposes, as well as to repurchase shares when market conditions are favorable. At its January 1999 meeting, the board of directors authorized the repurchase of up to \$50.0 million of the Corporation's common stock. This action followed the board's authorization in 1998 to repurchase up to \$100.0 million of common stock and its authorization in 1997 for up to \$100.0 million of common stock. At the end of 1999, all of the 1999 authorization and substantially all of the 1998 authorization remained available. The Corporation repurchased 492,800 shares of its common stock in 1999, 2,279,400 shares in 1998 and 986,333 shares in 1997. Since 1995, the Corporation has repurchased 8,570,083 shares. In 1999, the Corporation's average common stock repurchase price was \$29.83.

At January 1, 2000, the Corporation had 65,224,118 shares of common stock outstanding. This consists of 58,546,668 shares which are considered outstanding for purposes of computing earnings per share and an additional 6,677,450 shares held in a Grantor Stock Trust which are considered outstanding for voting purposes but not for purposes of computing earnings per share.

The Corporation's stock is listed on the New York Stock Exchange under the ticker symbol SNA.

The Corporation's common stock high and low prices for the last two years by quarter were as follows:

Common Stock High/Low Prices - Unaudited
(Amounts in dollars)

Quarter -----	1999 ----	1998 ----
First	\$36.75 - \$28.06	\$46.22 - \$37.19
Second	\$37.44 - \$28.56	\$46.44 - \$34.38
Third	\$37.81 - \$30.75	\$37.50 - \$25.50
Fourth	\$32.50 - \$26.44	\$36.00 - \$28.88

Additional information required by Item 5 is contained in the sections entitled "Quarterly Financial Information" and "Six-year Data" on pages 44 and 45 of the Corporation's 1999 Annual Report and is incorporated herein by reference.

Item 6: Selected Financial Data

The information required by Item 6 is contained in the section entitled "Six-year Data" on page 45 of the Corporation's 1999 Annual Report and is incorporated herein by reference.

Item 7: Management's Discussion and Analysis of Financial Condition and Results of Operations

The information required by Item 7 is contained in the section entitled "Management's Discussion and Analysis of Results of Operations and Financial Condition" on pages 17 through 25 of the Corporation's 1999 Annual Report and is incorporated herein by reference.

Item 7A: Qualitative and Quantitative Disclosures About Market Risk

The information required by Item 7A is contained in the section entitled "Value at Risk" on page 24 and in Note 8 entitled "Financial Instruments" on pages 35 and 36 of the Corporation's 1999 Annual Report and is incorporated herein by reference.

Item 8: Financial Statements and Supplementary Data

Financial statements and supplementary data required by Item 8 is contained in the Corporation's 1999 Annual Report appearing in the sections entitled "Consolidated Statement of Earnings" on page 26, "Consolidated Balance Sheets" on page 27, "Consolidated Statements of Shareholders' Equity and Comprehensive Income" on page 28, "Consolidated Statements of Cash Flows" on page 29, "Notes to Consolidated Financial Statements" on pages 30 through 43, "Report of Independent Public Accountants" on page 46, and "Quarterly Financial Information" appearing on page 44, and is incorporated herein by reference.

Additionally, the Corporation's gross profit for the last two years by quarter was as follows:

Gross Profit*

(Amounts in thousands)

Quarter	1999	1998
-----	----	----
First	\$218,901	\$211,545
Second	\$225,265	\$204,690
Third	\$218,419	\$151,526
Fourth	\$233,602	\$195,553

*Gross Profit equals net sales less cost of goods sold.

Item 9: Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

PART III

Item 10: Directors and Executive Officers of the Registrant

The identification of the Corporation's directors as required by Item 10 is contained in the Corporation's Proxy Statement, dated March 28, 2000, in the section entitled "Proposal to be Voted on: Election of Directors" on page 4 and in the section entitled "Board of Directors-Directors Not Standing for Election" on page 5, and is incorporated herein by reference.

With respect to information about the Corporation's executive officers, see caption "Executive Officers of the Registrant" at the end of Part I of this report.

The disclosure concerning Section 16(a) filing compliance pursuant to Item 405 of Regulation S-K is contained in the Corporation's Proxy Statement, dated March 28, 2000, in the section entitled "Other Information" on page 19, and is incorporated herein by reference.

Item 11: Executive Compensation

The information required by Item 11 is contained in the Corporation's Proxy Statement, dated March 28, 2000, in the section entitled "Executive Compensation" on pages 15 through 18 and in the section entitled "Other Information" on page 19 and is incorporated herein by reference.

Item 12: Security Ownership of Certain Beneficial Owners and Management

The information required by Item 12 is contained in the Corporation's Proxy

Statement, dated March 28, 2000, in the section entitled "Security Ownership of Management and Certain Beneficial Owners" contained on pages 8 and 9, and is incorporated herein by reference.

Item 13: Certain Relationships and Related Transactions

None.

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PART IV

Item 14: Exhibits, Financial Statement Schedules and Reports on Form 8-K

Item 14(a): Document List

1. List of Financial Statements

The following consolidated financial statements of Snap-on Incorporated, and the Report of Independent Public Accountants thereon, contained on pages 26 through 43 and on page 46 of the Corporation's 1999 Annual Report to its shareholders for the year ended January 1, 2000, are incorporated by reference in Item 8 of this report:

Consolidated Balance Sheets as of January 1, 2000, and January 2, 1999.

Consolidated Statements of Earnings for the years ended January 1, 2000, January 2, 1999, and January 3, 1998.

Consolidated Statements of Shareholders' Equity and Comprehensive Income for the years ended January 1, 2000, January 2, 1999, and January 3, 1998.

Consolidated Statements of Cash Flows for the years ended January 1, 2000, January 2, 1999, and January 3, 1998.

Notes to Consolidated Financial Statements.

Report of Independent Public Accountants.

2. Financial Statement Schedules

The following consolidated financial statement schedules of Snap-on Incorporated are included in Item 14(d) as a separate section of this report.

Schedule II Valuation and Qualifying Accounts and Reserves. Page 19 herein.

Report of Independent Public Accountants on Financial Statement Schedule. Page 20 herein.

Unaudited Pro forma Financial Statement Schedule of Bahco Group AB Acquisition. Pages 21 through 24 herein.

All other schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are inapplicable and, therefore, have been omitted, or are included in the Corporation's 1999 Annual Report in the Notes to Consolidated Financial Statements for the years ended January 1, 2000, January 2, 1999, and January 3, 1998, which are incorporated by reference in Item 8 of this report.

3. List of Exhibits

The exhibits filed with or incorporated by reference in this report are as specified in the exhibit index under Item 14(c). Pages 17 and 18 herein.

Item 14(b): Reports on Form 8-K

During the fourth quarter of 1999, the Corporation reported on Form 8-K the following:

Form 8-K dated September 30, 1999, its acquisition of the Bahco Group AB under Item 2.

Form 8-K/A dated September 30, 1999, its acquisition of the Bahco Group AB under Item 7.

Subsequent to year-end, the Corporation reported on Form 8-K/A dated September 30, 1999, additional information on its acquisition of the Bahco Group AB under Item 7.

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SIGNATURES

Pursuant to the requirements of Section 13 of 15(d) of the Securities Exchange Act of 1934, the Corporation has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SNAP-ON INCORPORATED

By: /s/ R. A. Cornog

Date: March 28, 2000

R. A. Cornog, Chairman of the Board of
Directors, President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the Corporation and in the capacities as indicated.

/s/ R. A. Cornog

Date: March 28, 2000

R. A. Cornog, Chairman of the Board of
Directors, President and Chief Executive Officer

/s/ D. S. Huml

Date: March 28, 2000

D. S. Huml, Principal Financial Officer,
and Senior Vice President - Finance

/s/ N. T. Smith

Date: March 28, 2000

N. T. Smith, Principal Accounting Officer,
and Controller

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the Corporation and in the

capacities as indicated.

By: /s/ B. M. Beronja

Date: March 28, 2000

B. M. Beronja, Director

By: /s/ D. W. Brinckman

Date: March 28, 2000

D. W. Brinckman, Director

By: /s/ B. S. Chelberg

Date: March 28, 2000

B. S. Chelberg, Director

By: /s/ R. J. Decyk

Date: March 28, 2000

R. J. Decyk, Director

By: /s/ L. A. Hadley

Date: March 28, 2000

L. A. Hadley, Director

By: /s/ A. L. Kelly

Date: March 28, 2000

A. L. Kelly, Director

By: /s/ G. W. Mead

Date: March 28, 2000

G. W. Mead, Director

By: /s/ J. D. Michaels

Date: March 28, 2000

J. D. Michaels, Director

By: /s/ E. H. Rensi

Date: March 28, 2000

E. H. Rensi, Director

By: /s/ R. F. Teerlink

Date: March 28, 2000

R. F. Teerlink, Director

Item 14(c): Exhibits

- (2) (a) Share Purchase Agreement between CTT Cutting Tool Technology B.V. and the Corporation dated as of April 16, 1999 (incorporated by reference to Exhibit (2)(a) to the Corporation's report on Form 8-K dated September 30, 1999 (Commission File No. 1-7724))
- (b) Amendment Agreement #1 to Share Purchase Agreement between CTT Cutting Tool Technology B.V. and the Corporation dated as of September 30, 1999 (incorporated by reference to Exhibit (2)(a) to the Corporation's report on Form 8-K dated September 30, 1999 (Commission File No. 1-7724))
- (3) (a) Restated Certificate of Incorporation of the Corporation as amended through April 25, 1997 (incorporated by reference to Exhibit (3)(a) to the Corporation's Annual Report on Form 10-K for the fiscal year ended January 2, 1998 (Commission File No. 1-7724))
- (b) Bylaws of the Corporation, effective as of January 26, 1996 (incorporated by reference to Exhibit (3)(b) to the Corporation's Annual Report on Form 10-K for the fiscal year ended December 30, 1996 (Commission File No. 1-7724))
- (4) (a) Rights Agreement between the Corporation and First Chicago Trust Company of New York, effective as of August 22, 1997 (incorporated by reference to the Corporation's Form 8-A12B dated October 17, 1997 (Commission File No. 1-7724))

The Corporation and its subsidiaries have no long-term debt agreement for which the related outstanding debt exceeds 10% of consolidated total assets as of January 1, 2000. Copies of debt instruments for which the related debt is less than 10% of consolidated total assets will be furnished to the Commission upon request.

(10) Material Contracts

- (a) Amended and Restated Snap-on Incorporated 1986 Incentive Stock Program*#
- (b) Form of Restated Senior Officer Agreement between the Corporation and each of Robert A. Cornog, Branko M. Beronja, Frederick D. Hay, Donald S. Huml and Michael F. Montemurro (incorporated by reference to Exhibit (10)(b) to the Corporation's Annual Report on Form 10-K for the fiscal year ended December 30, 1995 (Commission File No. 1-7724))*
- (c) Form of Restated Executive Agreement between the Corporation and each of Alan T. Biland, Sharon M. Brady, Richard V. Caskey, Dale F. Elliott, Nicholas L. Loffredo, Denis J. Loverine, Susan F. Marrinan and Neil T. Smith (incorporated by reference to Exhibit (10)(b) to the Corporation's Annual Report on Form 10-K for the fiscal year ended December 30, 1995 (Commission File No. 1-7724))*
- (d) Deferred Compensation Waiver and Insurance Benefit Agreement between the Corporation and Robert A. Cornog dated January 30, 1998 (incorporated by reference to Exhibit 10(d) to the Corporation's Annual Report on Form 10-K for the fiscal year ended January 2, 1999 (Commission File No. 1-7724))*
- (e) Deferred Compensation Waiver and Insurance Benefit Agreement between the Corporation and Branko M. Beronja dated December 21, 1998 (incorporated by reference to Exhibit 10(d) to the Corporation's Annual Report on Form 10-K for the fiscal year ended January 2, 1999 (Commission File No. 1-7724))*
- (f) Deferred Compensation Waiver and Insurance Benefit Agreement between the Corporation and Frederick D. Hay dated September 27, 1999*#

- (g) Form of Indemnification Agreement between the Corporation and each of the Directors, Frederick D. Hay, Donald S. Huml, Susan F. Marrinan and Michael F. Montemurro effective October 24, 1997 (incorporated by reference to Exhibit (3)(a) to the Corporation's Annual Report on Form 10-K for the fiscal year ended January 2, 1998 (Commission File No. 1-7724))*
- (h) Amended and Restated Snap-on Incorporated Directors' 1993 Fee Plan *#
- (i) Snap-on Incorporated Deferred Compensation Plan*#
- (j) Snap-on Incorporated Supplemental Retirement Plan for Officers *#
- (k) Benefit Trust Agreement between the Corporation and The Northern Trust Company, effective as of July 2, 1998 (incorporated by reference to the Corporation's Form 8-K dated July 2, 1998 (Commission File No. 1-7724))
- (l) Form of Deferred Award Agreement between the Corporation and each of Robert A. Cornog, Branko M. Beronja, Alan T. Biland, Dale F. Elliott, Gary S. Henning, Frederick D. Hay, Donald S. Huml, Michael F. Montemurro and Susan F. Marrinan, dated March 1, 1999 and Form of Restricted Stock Agreement between the Corporation and David E. Cox, dated March 1, 1999*#
- (m) Five-year Credit Agreement between the Corporation and Salomon Smith Barney Inc., Banc One Capital Markets Inc. and the First National Bank of Chicago (incorporated by reference to Exhibit 10(a) to the Corporation's report on Form 10-Q for the quarterly period ended October 2, 1999 (Commission File No. 1-7724))
- (n) 364 Day Credit Agreement between the Corporation and Salomon Smith Barney Inc., Banc One Capital Markets Inc. and the First National Bank of Chicago (incorporated by reference to Exhibit 10(a) to the Corporation's report on Form 10-Q for the quarterly period ended October 2, 1999 (Commission File No. 1-7724))
- (12) Computation of Ratio of Earnings to Fixed Charges#
- (13) The following portions of the Corporation's Annual Report to Shareholders, which are incorporated by reference in this Form 10-K, are filed as Exhibit 13: Management's Discussion and Analysis of Results of Operations and Financial Condition, Consolidated Statements of Earnings, Consolidated Balance Sheets, Consolidated Statements of Shareholders' Equity and Comprehensive Income, Consolidated Statements of Cash Flows, Notes to Consolidated Financial Statements, Quarterly Financial Information, Six-year Data, Management's Responsibility for Financial Reporting and Report of Independent Public Accountants.#
- (21) Subsidiaries of the Corporation#
- (23) Consent of Independent Public Accountants#
- (27) Financial Data Schedule - Fiscal 1999#

Filed herewith.

* Denotes management contract or compensatory plan or arrangement.

Item 14(d): Schedules

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS AND RESERVES
(amounts in thousands)

Description -----	Balance at Beginning of Year -----	Purchase (Sale) Acquisition (Divestiture), Net -----	Expenses -----	Costs and Deductions(1) -----	Balance at End of Year -----
Allowance for doubtful accounts					
Year-ended January 1, 2000	\$29,231	\$ (7,569) *	\$24,126	\$ (18,002)	\$27,786
Year-ended January 2, 1999	\$20,645	\$ 2,073	\$24,984	\$ (18,471)	\$29,231
Year-ended January 3, 1998	\$16,903	\$ 2,220	\$21,040	\$ (19,518)	\$20,645

(1) This amount represents write-offs of bad debts.

* Includes a \$9.5 million reduction due to the sale of receivables to Newcourt Financial USA Inc.

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS
ON FINANCIAL STATEMENT SCHEDULE

We have audited, in accordance with auditing standards generally accepted in the United States, the financial statements included in Snap-on Incorporated's (the "Corporation") Annual Report to Shareholders, incorporated by reference in this Form 10-K, and have issued our report thereon dated February 1, 2000. Our audit was made for the purpose of forming an opinion on those statements taken as a whole. The schedule listed on page 20 is the responsibility of the Corporation's management and is presented for purposes of complying with the Securities and Exchange Commission's rules and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

/s/ Arthur Andersen LLP

ARTHUR ANDERSEN LLP

Chicago, Illinois
February 1, 2000

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UNAUDITED PRO FORMA FINANCIAL STATEMENT SCHEDULE

OF BAHCO GROUP AB ACQUISITION

On September 30, 1999, the Corporation acquired the Sandvik Saws and Tools business, formerly a wholly owned operating unit of Sandvik AB. Sandvik Saws and Tools business now operates as the Bahco Group AB ("Bahco"). Bahco is a manufacturer and supplier of professional tool products and employs approximately 2,400 people. Of those, approximately 1,000 employees are in Sweden. Products are manufactured at 11 plants in Sweden, Germany, Portugal, France, England, the United States and Argentina.

The acquisition is being accounted for as a purchase and the results of Bahco have been included in the accompanying consolidated financial statements since the date of the acquisition. The total purchase price of approximately \$380 million includes the purchase of facilities, a number of brand names and trademarks, and certain other assets and liabilities. The Corporation funded the acquisition through working capital and an expansion of an existing commercial paper credit facility.

A preliminary goodwill allocation in accordance with the criteria established under Accounting Principles Board ("APB") Opinion No. 16, "Business Combinations," has been performed. The cost of the acquisition has been allocated on the basis of the fair market value of the assets acquired and the liabilities assumed. This preliminary allocation results in goodwill of \$215 million being recorded. The final purchase price allocation will be finalized during 2000 upon completion of asset valuations and any post-closing purchase price adjustments.

The preliminary allocation of the purchase price of \$380 million, which includes direct acquisition costs of \$9 million, is as follows:

(Amounts in millions)	
Fair value of property and equipment	\$ 98
Fair value of patents and trademarks	25
Other net assets acquired	42
Goodwill	215

Purchase price	\$ 380
	=====

Assigned useful lives are as follows:

Patents	13 years
Trademarks	40 years
Goodwill	40 years

The following unaudited pro forma statements of earnings of the Corporation gives effect to the acquisition of Bahco as if the acquisition had occurred on January 1, 1998, after giving effect to certain adjustments for depreciation, amortization, interest expense, and income taxes associated with the purchase method of accounting as performed at the time of the acquisition.

For pro forma purposes, the Corporation's Audited Consolidated Statement of Earnings for 1999, has been combined with the Unaudited Combined Statement of Revenues and Direct Expenses of the Bahco Group for the nine-months ended September 30, 1999, and the effects of pro forma adjustments as set forth in the notes thereto.

For pro forma purposes, the Corporation's Audited Consolidated Statement of Earnings for 1998, has been combined with the Audited Combined Statement of Revenues and Direct Expenses of the Bahco Group for the year ended December 31, 1998, and the effects of pro forma adjustments as set forth in the notes thereto.

The following unaudited pro forma statements of earnings are based on historical financial data, and on assumptions and adjustments described in the notes thereto. All such assumptions and adjustments are inherently subject to significant uncertainty and contingencies. It can be expected that some or all

of the assumptions on which the following unaudited pro forma statements of earnings is based will prove to be inaccurate. As a result, the unaudited pro forma statements of earnings do not purport to represent what the Corporation's results of operations would have been if the acquisition of Bahco had occurred on January 1, 1998, and is not intended to project the Company's results of operations for any future period. The final purchase price allocation, when completed in 2000, will result in changes to the amount of recorded assets and goodwill included as pro forma amounts.

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Unaudited Pro Forma Statement of Earnings for 1999
(Amounts in thousands except per share data)

	Snap-on Incorporated Audited Consolidated Statement Of Earnings Year-Ended 1999	Bahco Group Unaudited Combined Statement of Revenues and Direct Expenses Nine-Months Ended September 30, 1999	Pro forma Adjustments	Pro forma
Net sales	\$ 1,945,621	\$ 228,946	\$ -	\$ 2,174,567
Cost of goods sold	(1,032,836)	(159,064)	(1,845) a	(1,193,745)
Cost of goods sold - non-recurring charges	(16,598)	-	-	(16,598)
Operating expenses	(723,658)	(57,964)	(3,960) b	(785,582)
Net finance income	60,476	-	-	60,476
Restructuring and other non-recurring charges	(20,592)	-	-	(20,592)
Interest expense	(27,358)	-	(11,738) c	(39,096)
Other income (expense) - net	12,882	983	-	13,865
Earnings (loss) before income taxes	197,937	12,901	(17,543)	193,295
Income tax provision (benefit)	70,710	-	(1,124) d	69,586
Net earnings (loss)	\$ 127,227	\$ 12,901	\$ (16,419)	\$ 123,709
Earnings per weighted average common share - basic	\$ 2.18			\$ 2.11
Earnings per weighted average common share - diluted	\$ 2.16			\$ 2.10
Weighted average common shares outstanding - basic	58,494			58,494
Effect of dilutive options	383			383
Weighted average common shares outstanding - diluted	58,877			58,877

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Unaudited Pro Forma Statement of Earnings for 1998
(Amounts in thousands except per share data)

	Snap-on Incorporated Audited Consolidated Statement Of Earnings Year-Ended 1998	Bahco Group Audited Combined Statement of Revenues and Direct Expenses Year-Ended December 31, 1998	Pro forma Adjustments	Pro forma
Net sales	\$1,772,637	\$ 323,908	\$ -	\$ 2,096,545

Cost of goods sold	(948,761)	(215,119)	(2,460) a	(1,166,340)
Cost of goods sold - non-recurring charges	(60,562)	-	-	(60,562)
Operating expenses	(705,811)	(78,989)	(5,280) b	(790,080)
Restructuring and other non-recurring charges	(89,301)	-	-	(89,301)
Net finance income	65,933	-	-	65,933
Interest expense	(21,254)	-	(15,650) c	(36,904)
Other income (expense) - net	(2,041)	280	-	(1,761)
Earnings (loss) before income taxes	10,840	30,080	(23,390)	17,530
Income tax provision (benefit)	15,619	-	2,393 d	18,012
Net earnings (loss)	\$ (4,779)	\$ 30,080	\$ (25,783)	\$ (482)
Earnings per weighted average common share - basic	\$ (0.08)			\$ (0.01)
Earnings per weighted average common share - diluted	\$ (0.08)			\$ (0.01)
Weighted average common shares outstanding - basic	59,220			59,220
Effect of dilutive options	-			-
Weighted average common shares outstanding - diluted	59,220			59,220

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The following notes to the pro forma adjustments for the Unaudited Pro forma Statement of Earnings for 1999 and 1998 represent the adjustments that would have resulted from the acquisition of the Bahco Group had the acquisition occurred on January 1, 1998.

- (a) To adjust depreciation expense for the preliminary change in the basis to fair market value of property, plant and equipment.
- (b) To adjust depreciation and amortization expense for the preliminary change in the basis to fair market value of property, plant and equipment and intangible assets including goodwill.
- (c) To record additional interest expense resulting from the debt issued to acquire the Bahco Group.
- (d) To record an income tax benefit(expense) to return to an appropriate consolidated effective tax rate of 36% for 1999 and 36% for 1998 before Snap-on's restructuring Project Simplify initiative that occurred in 1998.

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AMENDED AND RESTATED
SNAP-ON INCORPORATED
1986 INCENTIVE STOCK PROGRAM
(As Amended through January 22, 1999)

1. Purpose. The purpose of the Amended and Restated Snap-on Incorporated 1986 Incentive Stock Program (the "Program") is to attract and retain outstanding people as officers and key employees of Snap-on Incorporated (the "Company") and its subsidiaries and entities of which at least 20% of the equity interest is held directly or indirectly by the Company (together, "Affiliates") and to furnish incentives to such persons by providing such persons opportunities to acquire shares ("Shares") of the Company's common stock ("Common Stock"), or monetary payments based on the value of such Common Stock or the financial performance of the Company, or both, on terms as herein provided.

2. Administration. The Program will be administered by a committee (the "Committee") of the Board of Directors of the Company (the "Board") composed of not less than two Directors, each of whom shall qualify as a "disinterested person" for purposes of Rule 16b-3 ("Rule 16b-3") under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and as an "outside director" under Section 162(m) (4) (C) of the Internal Revenue Code of 1986, as amended (the "Code") (or any successor provision thereto); provided, however, that from and after such time as Rule 16b-3 as adopted in Securities and Exchange Commission Release No. 34-37260 applies to the Company, members of the Board serving on the Committee shall no longer need to be a "disinterested person" but instead must qualify as a "Non-Employee Director" within the meaning of Rule 16b-3. To the extent permitted by applicable law, the Board may, in its discretion, delegate to another committee of the Board or to one or more senior officers of the Company any or all of the authority and responsibility of the Committee with respect to Benefits (as defined below) to Participants other than Participants who are subject to the provisions of Section 16 of the Exchange Act ("Section 16 Participants") at the time any such delegated authority or responsibility is exercised. The Board also may, in its discretion, delegate to another committee of the Board consisting entirely of Non-Employee Directors any or all of the authority and responsibility of the Committee with respect to Benefits to Section 16 participants and other Participants. To the extent that the Board has delegated to such other committee or one or more officers the authority and responsibility of the Committee, all references to the Committee herein shall include such other committee or one or more officers. The Committee shall interpret the Program, prescribe, amend and rescind rules and regulations relating thereto and make all other determinations necessary or advisable for the administration of the Program. A majority of the members of the Committee shall constitute a quorum and all determinations of the Committee shall be made by a majority of its members. Any determination of the Committee under the Program may be made without notice or meeting of the Committee by a writing signed by a majority of the Committee members.

3. Participants. Participants in the Program ("Participants") will consist of such officers or other key employees of the Company and its Affiliates as the Committee in its sole discretion may designate from time to time to receive benefits described in Section 4 hereof ("Benefits"). The Committee's designation of a Participant in any year shall not require the

Committee to designate such person to receive a Benefit in any other year. The Committee shall consider such factors as it deems pertinent in selecting Participants and in determining the type and amount of their respective Benefits, including without limitation (i) the financial condition of the Company; (ii) anticipated profits for the current or future years; (iii) contributions of Participants to the profitability and development of the Company; and (iv) other compensation provided to Participants.

4. Types of Benefits.

(a) The Committee shall have full power and authority to (i) determine the type or types of Benefits to be granted to each Participant under the Program; (ii) determine the number of Shares and/or monetary payments to be covered by (or with respect to which payments, rights or other matters are to be calculated in connection with) Benefits granted to Participants; and (iii) determine any terms and conditions of any Benefit granted to a Participant, subject in each case only to express requirements of the Program. Benefits under the Program may be granted in any one or a combination of (A) incentive stock options granted under Section 6 hereof and intended to meet the requirements of Section 422 of the Code (or any successor provision thereto) ("Incentive Stock Options"); (B) options granted under Section 7 hereof not intended to be Incentive Stock Options ("Non-Qualified Stock Options"); (C) stock appreciation rights granted pursuant to Section 9 hereof ("Stock Appreciation Rights"); (D) Shares granted under Section 10 hereof to be held subject to certain restrictions ("Restricted Stock") and Bonus Shares (are defined in Section 11) delivered pursuant to Section 11; (E) Shares granted under Section 12 hereof ("Performance Shares"); and (F) monetary units granted under Section 13 hereof ("Performance Units"). For purposes hereof, Incentive Stock Options and Non-Qualified Stock Options shall be hereinafter referred to collectively as "Options". Benefits under the Program may be granted either alone or in addition to, in tandem with, or in substitution for any other Benefit or any other award or benefit granted under any other plan of the Company or any Affiliate. Benefits granted in addition to or in tandem with other awards or benefits may be granted either at the same time as or at different times from grants of such other Benefits or other awards.

(b) Each member of the Board (a "Director") who is not also an employee of the Company shall receive Director Options (as defined in Section 14) under the Program as provided in Section 14.

(c) As used in the Plan, the term "Award" shall mean any Benefit or Director Option granted under the Program.

5. Shares Reserved under the Program.

(a) There is hereby reserved for issuance under the Program after the Effective Date (as defined below) an aggregate of Six Million (6,000,000) Shares, consisting of Shares (i) newly authorized effective upon approval of this Program, as amended and restated, by the Company's shareholders at a meeting duly called and held (the "Effective Date"), (ii) previously reserved for issuance under the Program as to which Benefits could be awarded under

this Program immediately prior to the Effective Date and (iii) subject to awards of Benefits that are outstanding immediately prior to the Effective Date. Not more than 300,000 Shares reserved for issuance under the Program after the Effective Date may be issued as Restricted Stock.

(b) If there is a lapse, expiration, termination or cancellation of any Award granted hereunder without the issuance of Shares or payment of cash thereunder, if Shares are issued under any Award and thereafter are reacquired by the Company pursuant to rights reserved upon the issuance thereof, or if previously owned Shares are delivered to the Company in payment of the exercise price of an Award, then the Shares subject to, reserved for or delivered in payment in respect of such Award may again be used for new Options or other Awards of any sort authorized under this Program.

(c) No Participant shall be granted Benefits under the Program that could result in such Participant (i) receiving in any single fiscal year of the Company Options for, and/or Stock Appreciation Rights with respect to, more than 450,000 Shares, (ii) receiving Benefits in any single fiscal year of the Company relating to more than 225,000 Shares of Restricted Stock, (iii)

receiving more than 225,000 Performance Shares in respect of any period designated under Section 12 or (iv) receiving Performance Units exceeding \$1,000,000 in value in respect of any period designated under Section 13. Such number of Shares as specified in the preceding sentence shall be subject to adjustment in accordance with the terms of Section 18(a) hereof. In all cases, determinations under this Section 5 shall be made in a manner that is consistent with the exemption for performance-based compensation provided by Section 162(m) of the Code (or any successor provision thereto) and any regulations promulgated thereunder.

6. Incentive Stock Options. Incentive Stock Options will be exercisable at purchase prices of not less than One Hundred percent (100%) of the fair market value of the Shares on the date of grant, as such fair market value is determined by such methods or procedures as shall be established from time to time by the Committee ("Fair Market Value"). Incentive Stock Options will be exercisable over not more than ten (10) years after date of grant and shall terminate not later than three (3) months after termination of employment for any reason other than death, except as otherwise provided by the Committee. If the Participant should die while employed or within three (3) months after termination of employment, then the right of the Participant's successor in interest to exercise an Incentive Stock Option shall terminate not later than twelve (12) months after the date of death, except as otherwise provided by the Committee. In all other respects, the terms of any Incentive Stock Option granted under the Program shall comply with the provisions of Section 422 of the Code (or any successor provision thereto) and any regulations promulgated thereunder.

7. Non-Qualified Stock Options. Non-Qualified Stock Options will be exercisable at purchase prices of not less than One Hundred percent (100%) of the Fair Market Value of the Shares on the date of grant. Non-Qualified Stock Options will be exercisable as determined by the Committee over not more than fifteen (15) years after the date of grant and shall terminate six (6) months after termination of employment for any reason other than death, except that, subject to the maximum term of fifteen (15) years, (a) in connection with the termination of a Participant's employment in a manner that entitles the Participant immediately to receive the

payment of benefits under any defined benefit retirement plan of the Company or any of its Affiliates ("Retirement"), a Non-Qualified Stock Option shall terminate three (3) years after Retirement and (b) the Committee may provide otherwise in connection with any termination of employment, including Retirement. If the Participant should die while employed or within any period after termination of employment during which the Non-Qualified Stock Option was exercisable, then, subject to the maximum term of fifteen (15) years, the right of the Participant's successor in interest to exercise a Non-Qualified Stock Option shall terminate not later than twelve (12) months after the date of death, except as otherwise provided by the Committee.

8. Certain Replacement Options. Without in any way limiting the authority of the Committee to make grants of Options to Participants hereunder, and in order to induce Participants to retain ownership of Shares acquired upon the exercise of Options, the Committee shall have the authority (but not an obligation) to include within any agreement setting forth the terms of any Options (or any amendment thereto) a provision entitling a Participant to further Options ("Replacement Options") in the event the Participant exercises any Options (including a Replacement Option) under the Program, in whole or in part, by surrendering previously acquired Shares. Any such Replacement Options shall (a) be Non-Qualified Stock Options under Section 7, exercisable at a purchase price, unless otherwise determined by the Committee, of 100% of the Fair Market Value of the Shares on the date the Replacement Options are granted, (b) be for a number of Shares equal to the number of Shares surrendered, (c) only become exercisable on the terms specified by the Committee in the event the Participant holds, for a minimum period of time prescribed by the Committee, the Shares the Participant acquired upon the exercise in connection with which the

Replacement Options were issued, and (d) be subject to such other terms and conditions as the Committee may determine.

9. Stock Appreciation Rights. The Committee is hereby authorized to grant Stock Appreciation Rights to Participants. Subject to the terms of the Program and any applicable agreement with a Participant, a Stock Appreciation Right granted under the Program shall confer on the holder thereof a right to receive, upon exercise thereof, the excess of (a) the Fair Market Value of one Share (determined on the date the Stock Appreciation Right is exercised) over (b) the grant price of the Stock Appreciation Right as specified by the Committee, which shall, unless otherwise determined by the Committee, be 100% of the Fair Market Value of one Share (determined on the date of grant of the Stock Appreciation Right). Subject to the terms of the Program, the grant price, term, calculation of Fair Market Value, methods of exercise, methods of settlement (including whether the Participant will be paid in cash, Shares, other securities, other Benefits or other property, or any combination thereof), and any other terms and conditions of any Stock Appreciation Right shall be as determined by the Committee. The Committee may impose such conditions or restrictions on the exercise of any Stock Appreciation Right as it may deem appropriate.

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10. Restricted Stock.

(a) The Committee is hereby authorized to issue Restricted Stock to Participants, with or without payment therefor, as additional compensation, or in lieu of other compensation, for their services to the Company and/or any Affiliate. Restricted Stock shall be subject to such terms and conditions as the Committee determines appropriate, including, without limitation, restrictions on sale or other disposition and rights of the Company to reacquire such Restricted Stock upon termination of the Participant's employment within specified periods, as prescribed by the Committee.

(b) Without limitation, such terms and conditions may provide that Restricted Stock shall be subject to forfeiture if the Company or the Participant fails to achieve certain goals established by the Committee over a designated period of time. Any grant of Restricted Stock subject to such terms and conditions to a Section 16 Participant shall be in writing. The goals established by the Committee may relate to any one or more of the following: revenues, earnings per share, return on shareholder equity, return on average total capital employed, return on net assets employed before interest and taxes, economic value added and/or, in the case of Participants other than Section 16 Participants, such other goals as may be established by the Committee in its discretion. In the event the minimum goal established by the Committee is not achieved at the conclusion of a period, all Shares of Restricted Stock shall be forfeited. In the event the maximum goal is achieved, no Shares of Restricted Stock shall be forfeited. Partial achievement of the maximum goal may result in forfeiture corresponding to the degree of nonachievement to the extent specified in writing by the Committee when the grant is made. The Committee shall certify in writing as to the degree of achievement after completion of the performance period.

11. Bonus Shares; Deposit Share Program. The Committee is authorized to provide Participants the opportunity to elect to receive Shares in lieu of a portion or all of cash bonuses under the Company's incentive compensation programs and/or increases in base compensation ("Bonus Shares"). Bonus Shares shall be issued in an amount equal to (a) the dollar amount of bonus or base compensation a Participant elects to receive in Common Stock (subject to limits prescribed by the Committee) divided by (b) the Fair Market Value of a Share (as determined on the date the cash compensation to which the Bonus Shares relate would otherwise be payable) and shall be subject to such terms and conditions as the Committee deems appropriate, including, without limitation, restrictions on withdrawal from the Deposit Share Program (as hereinafter defined), sale or other disposition.

The Committee may establish a program (the "Deposit Share Program") in connection with the delivery of Bonus Shares under which (a) Participants wishing to receive Restricted Stock in tandem with Bonus Shares shall deposit Bonus Shares with the Company or such other designee of the Company and comply with all rules relating to the Deposit Share Program as the Committee prescribes and (b) the Company shall match any Bonus Shares a Participant has deposited with the Company by depositing up to one (1) Share of Restricted Stock for each Bonus Share deposited, as determined by the Committee. The Restricted Stock deposited by the Company shall vest in accordance with such terms and conditions as determined by the Committee.

Elections to receive Bonus Shares or to participate in the Deposit Share Program may be made only in accordance with such rules and regulations prescribed by the Committee from time to time, including any rules and regulations applicable to Section 16 Participants.

12. Performance Shares. The Committee may grant Performance Shares that the Participant may earn in whole or in part if the Company or the Participant achieves certain goals established by the Committee over a designated period of time consisting of one or more full fiscal years of the Company, but not in any event more than five (5) years. Any such grant to a Section 16 Participant shall be in writing. The goals established by the Committee may relate to any one or more of the following: revenues, earnings per share, return on shareholder equity, return on average total capital employed, return on net assets employed before interest and taxes, economic value added and/or, in the case of Participants other than Section 16 Participants, such other goals as may be established by the Committee in its discretion. In the event the minimum goal established by the Committee is not achieved at the conclusion of a period, no delivery of Shares shall be made to the Participant. In the event the maximum goal is achieved, One Hundred percent (100%) of the Performance Shares shall be delivered to the Participant. Partial achievement of the maximum goal may result in a delivery corresponding to the degree of achievement to the extent specified in writing by the Committee when the grant is made. The Committee shall certify in writing as to the degree of achievement after completion of the performance period. The Committee shall have the discretion to satisfy an obligation to deliver a Participant's Performance Shares by delivery of less than the number of Shares earned together with a cash payment equal to the then Fair Market Value of the Shares not delivered. The number of Shares reserved for issuance under this Program shall be reduced only by the number of Shares delivered in respect of earned Performance Shares. Subject to Section 18(c)(iii), at the time of making an award of Performance Shares, the Committee shall set forth the consequences of the termination of a Participant's employment with the Company or an Affiliate prior to the expiration of the designated performance period in respect of which the Performance Shares are awarded.

13. Performance Units. The Committee may grant Performance Units to a Participant that consist of monetary units and that the Participant may earn in whole or in part if the Company or the Participant achieves certain goals established by the Committee over a designated period of time consisting of one or more full fiscal years of the Company, but not in any event more than five (5) years. Any such grant to a Section 16 Participant shall be in writing. The goals established by the Committee may relate to any one or more of the following: revenues, earnings per share, return on shareholder equity, return on average total capital employed, return on net assets employed before interest and taxes, economic value added, Share price and/or, in the case of Participants other than Section 16 Participants, such other goals as may be established by the Committee in its discretion. In the event the minimum goal established by the Committee is not achieved at the conclusion of a period, no payment shall be made to the Participant. In the event the maximum goal is achieved, One Hundred percent (100%) of the monetary value of the Performance Units shall be paid to the Participant. Partial achievement of the maximum goals may result in a

payment corresponding to the degree of achievement to the

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extent specified in writing by the Committee when the grant is made. The Committee shall certify in writing as to the degree of achievement after completion of the performance period. Payment of a Performance Unit earned may be in cash or in Shares or in a combination of both, as the Committee in its sole discretion determines. The number of Shares reserved for issuance under this Program shall be reduced only by the number of Shares delivered in payment of Performance Units. Subject to Section 18(c)(iii), at the time of making an award of Performance Units, the Committee shall set forth the consequences of the termination of a Participant's employment with the Company or an Affiliate prior to the expiration of the designated performance period in respect of which the Performance Units are awarded.

14. Non-Employee Directors. Each Director who is not also an employee of the Company (including members of the Committee) and who is a Director on the date of the annual meeting of shareholders of the Company during the term of the Program shall automatically be granted on each such meeting date a non-qualified stock option for the purchase of 3,000 Shares ("Director Options") at a purchase price equal to One Hundred percent (100%) of the Fair Market Value of the Shares on the date each Director Option is granted, which shall be the closing price for the Common Stock on such date as reported on the New York Stock Exchange. Director Options shall be exercisable for ten (10) years from the date of grant and shall terminate six (6) months after the non-employee Director ceases to serve as a Director for any reason other than death, except that, subject to the maximum term of ten (10) years, (a) as to any Director who, at the time the Director ceases to serve as a Director, is at least age 65 or has completed six (6) years of service, the Director Options held by the Director shall terminate three (3) years after the Director ceases to serve as a Director and (b) the Committee may amend such time limits. If the Director should die while serving as a Director, or within any period after termination of his or her service as a Director during which the Director Option was exercisable, then, subject to the maximum term of ten (10) years, the right of his or her successor in interest to exercise a Director Option shall terminate twelve (12) months after the date of death. Non-employee Directors shall not be eligible for any Benefit under the Program.

15. Transferability. Each Award granted under this Program shall not be transferable other than by will or the laws of descent and distribution, except that a Participant or Director may, to the extent allowed by the Committee and in a manner specified by the Committee, (a) designate in writing a beneficiary to exercise the Award after the Participant's or Director's death, as the case may be, and (b) transfer any Award.

16. Term of Program and Amendment, Modification or Cancellation of Benefits.

(a) No Award shall be granted more than ten (10) years after the Effective Date.

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(b) Except as provided in Section 19(a) below and subject to the requirements of the Program, the Committee may modify or amend any Award or waive any restrictions or conditions applicable to any Award or the exercise thereof, and the terms and conditions applicable to any Awards may at any time be amended, modified or canceled by mutual agreement between the Committee and the Participant or Director or any other persons as may then have an interest therein, so long as any amendment or modification does not increase the number of Shares issuable under this Program. Action may be taken under this Section 16(b) notwithstanding expiration of the Program under Section 16(a).

17. Taxes. The Company shall be entitled to withhold the amount of any tax attributable to any amount payable or Shares deliverable under the Program after giving the person entitled to receive such amount or Shares notice as far in advance as practicable, and the Company may defer making payment or delivery if any such tax may be pending unless and until indemnified to its satisfaction. The Committee may, in its discretion and subject to such rules as it may adopt, permit a Participant to pay all or a portion of the federal, state and local withholding taxes arising in connection with (a) the exercise of a Non-Qualified Stock Option, (b) a disqualifying disposition of Common Stock received upon the exercise of an Incentive Stock Option, (c) the lapse of restrictions on Restricted Stock or (d) the receipt of Performance Shares, by electing to (i) have the Company withhold Shares, (ii) tender back Shares received in connection with such Benefit or (iii) deliver other previously owned Shares, having a Fair Market Value equal to the amount to be withheld; provided, however, that the amount to be withheld shall not exceed the Participant's estimated total federal, state and local tax obligations associated with the transaction. The election must be made on or before the date as of which the amount of tax to be withheld is determined and otherwise as required by the Committee. The Fair Market Value of fractional Shares remaining after payment of the withholding taxes shall be paid to the Participant in cash.

The Committee may, in its discretion, grant a cash bonus to a Participant who holds Restricted Stock, either inside or outside of the Deposit Share Program, or Performance Shares to enable the Participant to pay all or a portion of the federal, state or local tax liability incurred by the Participant upon the vesting of Restricted Stock or Performance Shares. The Company shall deduct from any cash bonus such amount as may be required for the purpose of satisfying the Company's obligation to withhold federal, state or local taxes.

18. Adjustment Provisions; Change of Control.

(a) If the Company shall at any time change the number of issued Shares without new consideration to the Company (such as by stock dividends or stock splits), the total number of Shares reserved for issuance under this Program and the number of Shares covered by each outstanding Award shall be adjusted so that the aggregate consideration payable to the Company and the value of each such Award shall not be changed. The Committee shall also have the right to provide for the continuation of Awards or for other equitable adjustments after changes in the Common Stock resulting from reorganization, sale, merger, consolidation or similar occurrence; provided, however, that Director Options subject to grant or previously granted to Directors under the Program at the time of any such event shall be subject to only such adjustment

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as shall be necessary to maintain the proportionate interest of the Director and preserve, without exceeding, the value of such Director Options.

(b) Notwithstanding any other provision of this Program, and without affecting the number of Shares otherwise reserved or available hereunder, the Committee may authorize the issuance or assumption of Benefits in connection with any merger, consolidation, acquisition of property or stock, or reorganization upon such terms and conditions as it may deem appropriate.

(c) In the event of a "change of control" (as hereinafter defined):

(i) each holder of an Option and Director Option (A) shall have the right at any time thereafter to exercise the Option or Director Option in full whether or not the Option or Director Option was theretofore exercisable; and (B) shall have the right, exercisable by written notice to the Company within 60 days after the change of control, to receive, in exchange for the surrender of the Option or Director Option or any portion thereof to the extent the Option or Director Option is then exercisable in

accordance with clause (A), the highest of (1) an amount of cash equal to the difference between the Fair Market Value of the Common Stock covered by the Option or Director Option or portion thereof that is so surrendered on the date of the change of control and the purchase price of such Common Stock under the Option or Director Option, (2) an amount of cash equal to the difference between the highest price per Share of Common Stock paid in the transaction giving rise to the change of control and the purchase price per Share of Common Stock under the Option or Director Option multiplied by the number of Shares of Common Stock covered by the Option or Director Option or (3) an amount of cash equal to the difference between the Fair Market Value of the Common Stock covered by the Option or Director Option or portion thereof that is so surrendered, calculated on the date of surrender, and the purchase price of such Common Stock under the Option or Director Option; provided that the right described in this clause (B) shall be exercisable only if a positive amount would be payable to the holder pursuant to the formula specified in this clause (B);

(ii) Restricted Stock held inside or outside of the Deposit Share Program (including Bonus Shares) that is not then vested shall vest upon the date of the change of control and each holder of such Restricted Stock shall have the right, exercisable by written notice to the Company within sixty (60) days after the change of control, to receive, in exchange for the surrender of such Restricted Stock, an amount of cash equal to the highest of (A) the Fair Market Value of such Restricted Stock on the date of surrender, (B) the highest price per Share of Common Stock paid in the transaction giving rise to the change of control multiplied by the number of Shares of Restricted Stock surrendered or (C) the Fair Market Value of such Restricted Stock on the effective date of the change of control;

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(iii) each holder of a Performance Share and/or Performance Unit for which the performance period has not expired shall have the right, exercisable by written notice to the Company within 60 days after the change of control, to receive, in exchange for the surrender of the Performance Share and/or Performance Unit, an amount of cash equal to the product of the value of the Performance Share and/or Performance Unit and a fraction the numerator of which is the number of whole months which have elapsed from the beginning of the performance period to the date of the change of control and the denominator of which is the number of whole months in the performance period; and

(iv) each holder of a Performance Share and/or Performance Unit that has been earned but not yet paid shall receive an amount of cash equal to the value of the Performance Share and/or Performance Unit.

For purposes of this Section 18, the "value" of a Performance Share shall be equal to the highest of (1) the Fair Market Value of a Share of Common Stock on the date of the change of control, (2) the highest price per Share of Common Stock paid in the transaction giving rise to the change of control or (3) the Fair Market Value of a Share of Common Stock calculated on the date of surrender or payment, as the case may be.

(d) A "change of control" of the Company shall be deemed to have occurred for purposes of this Section 18 if the event set forth in any one of the following paragraphs shall have occurred:

(i) any "Person" (as such term is defined in Section 3(a)(9) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")), as modified and used in Sections 13(d) and 14(d)

thereof, except that for purposes of this Section 18, the term "Person" shall not include (1) the Company or any of its subsidiaries, (2) a trustee or other fiduciary holding securities under an employee benefit plan of the Company or any of its subsidiaries, (3) an underwriter temporarily holding securities pursuant to an offering of such securities, or (4) a corporation owned, directly or indirectly, by the shareholders of the Company in substantially the same proportions as their ownership of stock in the Company) is or becomes the "Beneficial Owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company (not including in the securities beneficially owned by such Person any securities acquired directly from the Company or its affiliates) representing 25% or more of either the then outstanding Shares of common stock of the Company or the combined voting power of the Company's then outstanding voting securities; or

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(ii) the following individuals cease for any reason to constitute a majority of the number of Directors then serving: individuals who, on January 1, 1996, constitute the Board and any new Director (other than a Director whose initial assumption of office is in connection with an actual or threatened election contest, including but not limited to a consent solicitation, relating to the election of Directors of the Company, as such terms are used in Rule 14a-11 of Regulation 14A under the Exchange Act) whose appointment or election by the Board or nomination for election by the Company's shareholders was approved by a vote of at least two-thirds (2/3) of the Directors then still in office who either were Directors on January 1, 1996 or whose appointment, election or nomination for election was previously so approved; or

(iii) the shareholders of the Company approve a merger or consolidation of the Company with any other corporation or approve the issuance of voting securities of the Company in connection with a merger or consolidation of the Company (or any direct or indirect subsidiary of the Company) pursuant to applicable stock exchange requirements, other than (1) a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior to such merger or consolidation continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or any parent thereof) at least 60% of the combined voting power of the voting securities of the Company or such surviving entity or any parent thereof outstanding immediately after such merger or consolidation, or (2) a merger or consolidation effected to implement a recapitalization of the Company (or similar transaction) in which no Person is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company (not including in the securities beneficially owned by such Person any securities acquired directly from the Company or its affiliates) representing 25% or more of either the then outstanding Shares of common stock of the Company or the combined voting power of the Company's then outstanding voting securities; or

(iv) the shareholders of the Company approve a plan of complete liquidation or dissolution of the Company or an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets (in one transaction or a series of related transactions within any period of 24 consecutive months), other than a sale or disposition by the Company of all or substantially all of the Company's assets to an entity, at least 75% of the combined voting power of the voting

securities of which are owned by Persons in substantially the same proportions as their ownership of the Company immediately prior to such sale.

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

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(e) As of the Effective Date, any outstanding Benefit previously granted under the Program shall be deemed amended to provide to the holder of such Benefit rights corresponding to those described in paragraph (c) of this Section 18 in the event of a change of control (as defined herein).

(f) The Committee may, in its sole and absolute discretion, amend, modify or rescind the provisions of this Section 18 if it determines that the operation of this Section 18 may prevent a transaction in which the Company or any Affiliate is a party from being accounted for on a pooling-of-interests basis.

19. Amendment and Termination of the Program; Correction of Defects and Omissions.

(a) The Board may at any time amend, alter, suspend, discontinue or terminate the Program; provided, however, that the provisions of Section 14 of the Program shall not be amended more than once every six (6) months, other than to comport with changes in the Code, the Employee Retirement Income Security Act of 1974, as amended, or the rules promulgated thereunder; and provided further that shareholder approval of any amendment of the Program shall also be obtained if otherwise required by (i) the rules and/or regulations promulgated under Section 16 of the Exchange Act (in order for the Program to remain qualified under Rule 16b-3), (ii) the Code or any rules promulgated thereunder (in order to allow for Incentive Stock Options to be granted under the Program or to enable the Company to comply with the provisions of Section 162(m) of the Code so that the Company can deduct compensation in excess of the limitation set forth therein), or (iii) the listing requirements of the New York Stock Exchange or any principal securities exchange or market on which the Shares are then traded (in order to maintain the listing or quotation of the Shares thereon). Termination of the Program shall not affect the rights of Participants or Directors with respect to Awards previously granted to them, and all unexpired Awards shall continue in force and effect after termination of the Program except as they may lapse or be terminated by their own terms and conditions.

(b) The Committee may correct any defect, supply any omission, or reconcile any inconsistency in any Award or agreement covering an Award in the manner and to the extent it shall deem desirable to carry the Program into effect.

20. Miscellaneous. The grant of any Award under the Program may also be subject to other provisions (whether or not applicable to the Benefit awarded to any other Participant) as the Committee determines appropriate, including, without limitation, provisions for (a) one or more means to enable Participants or Directors to defer recognition of taxable income relating to Awards or cash payments derived therefrom, which means may provide for a return to a Participant or Director on amounts deferred as determined by the Committee (provided that no such deferral means may result in an increase in the number of Shares issuable hereunder); (b) the purchase of Common Stock under Options or Director Options in installments; (c) the financing of the purchase of Common Stock under Options or Director Options in the form of a

promissory note issued to the Company by a Participant or Director on such terms and conditions as the Committee determines; (d) the payment of the purchase price of Options or Director Options (i) by delivery of cash or other Shares or securities of the Company having a then Fair Market Value equal to the purchase price of such Shares or (ii) by delivery (including by fax) to the Company or its designated agent of an executed irrevocable option exercise form together with irrevocable instructions to a broker-dealer to sell or margin a sufficient portion of the Shares and deliver the sale or margin loan proceeds directly to the Company to pay for the exercise price; (e) restrictions on resale or other disposition; and (f) compliance with federal or state securities laws and stock exchange requirements. Notwithstanding the foregoing, to the extent required by Rule 16b-3, Director Options shall be automatic, and the amount and terms of such Director Options shall be determined as provided in Section 14 of the Plan.

DEFERRED COMPENSATION WAIVER
AND INSURANCE BENEFIT AGREEMENT

This Agreement is entered into this 27th day of September, 1999, by and between SNAP-ON INCORPORATED, a Delaware corporation (the "Company"), and FREDERICK D. HAY (the "Executive").

WHEREAS, the Executive has a Cash Account under the Company's Deferred Compensation Plan (the "Deferred Compensation Plan Balance"); and

WHEREAS, the Company is willing to establish the Split-Dollar Life Insurance Agreement described in Section 3 of this Agreement ("Split-Dollar Agreement"); and

WHEREAS, as of the date of this Agreement, the Executive and the Company believe that the net Present Value of the Company's obligations under the Split-Dollar Agreement are equivalent to the Present Value of the Executive's waiver of rights under Section 2 of this Agreement.

NOW, THEREFORE, in consideration of the respective terms and conditions set forth herein, the Company and the Executive hereby agree as follows:

1. Definitions.

a. Waived Deferred Compensation Plan Rights. The estimated payments to the Executive attributable to the Executive's Waived Existing Balance (as defined in Section 2.a) calculated based on the assumptions set forth in Exhibit B to this Agreement.

b. Change of Control. This term shall have the meaning given in it Section 1.c. of the Senior Officer Agreement.

c. Committee. The Organization and Compensation Committee of the Board of Directors of the Company.

d. Deferred Compensation Plan. The Snap-on Incorporated Deferred Compensation Plan.

e. Present Value. The Present Value of a payment shall be determined based on the assumptions set forth in Exhibit B to this Agreement.

f. Senior Officer Agreement. The Restated Senior Officer Agreement dated February 1, 1996, between the Company and the Executive.

2. Executive's Waiver of Rights.

The Executive hereby waives any and all rights to receive Two Hundred Thousand Dollars (\$200,000) of the Executive's Cash Account under the Company's Deferred Compensation Plan as of the date of this agreement (the "Waived Existing Balance").

3. Split-Dollar Agreement.

The Company agrees to enter into the Split-Dollar Agreement attached as Exhibit A to this Agreement. The Company agrees to pay the first ten (10) annual premium payments of Ninety Thousand One Hundred Twenty-one and 60/100 Dollars (\$90,121.60) pursuant to Section 3 of the Split-Dollar Agreement.

4. Payments Upon Death of Executive and Executive's Wife.

a. In the event of the death of the survivor of the Executive and Kathleen V. Hay (the "Executive's wife") prior to the repayment to the Company under Section 5 of the Split-Dollar Agreement, the Company will pay to the beneficiary designated pursuant to Section 4.b or 4.c of this Agreement the amount (if any) by which the Present Value of the Executive's Waived Deferred Compensation Plan Rights exceeds the net Present Value of the Company's premium payments under Section 3 of the Split-Dollar Agreement (as recovered under Section 5 of the Split-Dollar Agreement). These calculations shall be made based on the assumptions set forth in Exhibit B to this Agreement. The death benefits based on the Waived Deferred Compensation Plan Rights are shown in column 11 of Exhibit B to this Agreement.

b. The Executive may designate a beneficiary or beneficiaries who, upon the death of the survivor of the Executive and the Executive's wife are to receive the amounts that are paid under Section 4.a of this Agreement. All designations shall be in writing to the Company in such form as it requires or accepts and signed by the Executive. The designation shall be effective only if and when delivered to the Company during the lifetime of the Executive. The Executive also may change his beneficiary or beneficiaries by a signed, written instrument delivered to the Company. The payment of amounts shall be in accordance with the last unrevoked written designation of beneficiary that has been signed and delivered to the Company.

c. In the event the Executive does not designate a beneficiary or if for any reason such designation is ineffective, in whole or in part, for any reason including the death of a beneficiary prior to the death of the survivor of the Executive and the Executive's wife, any amount payable under Section 4.a of this Agreement shall be paid to the estate of the survivor of the Executive and the Executive's wife, and in such event, the term "beneficiary" shall include such estate.

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5. Equivalence of Benefits.

The Company and the Executive agree that the net Present Value of the Company's premium payment obligation under Section 3 of the Split-Dollar Agreement (as recovered under Section 5 of the Split-Dollar Agreement) plus the net Present Value of any death benefit required to be paid under Section 4 of this Agreement are equivalent to the Present Value of the Executive's Waived Deferred Compensation Plan Rights based on the assumptions set forth in Exhibit B to this Agreement.

6. Funding Upon a Change of Control.

a. In the event that a Change of Control of the Company occurs, the Company shall immediately transfer to an irrevocable grantor trust established by the Company which is substantially identical to the trust attached as Exhibit C to this Agreement and contains such other supplemental provisions as are required by the trustee which are not inconsistent with Exhibit C (the "Trust") an amount equal to (i) the aggregate unpaid premiums required to be paid by the Company under Section 3 of this Agreement plus (ii) an additional amount equal to the death benefit required to be paid under Section 4.a of this Agreement if the survivor of the Executive and the Executive's wife dies in the year in which the Company's final premium payment is due.

b. The Trust is an administrative and funding vehicle for the Company's general assets contributed to the Trust for the purpose of ultimately satisfying obligations under this Agreement. In the event that the Company transfers assets to the Trust for the express purpose of ultimately satisfying its obligations under this Agreement then, subject to the terms of the Trust and limited by assets available and

held by the Trustees of the Trust for the purpose of funding the benefits provided by this Agreement, payments may be made from such Trust in satisfaction of Company's obligations hereunder. The transfer of assets by the Company to the Trust for this purpose shall not increase, decrease or vary in any way the rights and obligations of the parties to this Agreement, nor shall the Executive, the Executive's wife or the owner of the insurance policy held pursuant to the Split-Dollar Agreement have any ownership rights with respect to such assets nor shall the assets be treated as a trust fund of any kind for the benefit of any such person; provided that as and when any such person is entitled to receive payments hereunder, such person may, subject to the terms of the Trust and limited by the terms of this Agreement, obtain such payments from the Trust. The Executive, the Executive's wife or the owner of the insurance policy held pursuant to the Split-Dollar Agreement may enforce and obtain satisfaction of such payment rights against the assets held by the Trust for the purpose of satisfying such obligations of the Company.

7. Successors and Binding Agreements.

a. The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation, reorganization or otherwise) to all or substantially all

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of the business and/or assets of the Company expressly to assume and to agree to perform this Agreement in the same manner and to the same extent the Company would be required to perform if no succession had taken place. This Agreement shall be binding upon and inure to the benefit of the Company and any such successor, and such successor shall thereafter be deemed the "Company" for purposes of this Agreement.

b. This Agreement shall inure to the benefit of and be enforceable by the Executive's respective personal or legal representative, executor, administrator, successor, heirs, distributees and/or legatees.

c. Neither the Company nor the Executive may assign, transfer or delegate this Agreement or any rights or obligations hereunder except as expressly provided in this Agreement.

8. Notices.

All communications provided for herein shall be in writing and shall be deemed to have been duly given when delivered or five (5) business days after having been mailed by United States registered or certified mail, return receipt requested, postage prepaid, addressed to the Company (to the attention of the Secretary of the Company) at its principal executive office and to the Executive at his principal residence, or to such other address as any party may have furnished to the other in writing in accordance herewith, except that notices of a change of address shall be effective only upon receipt.

9. Governing Law.

The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of Wisconsin without giving effect to the principles of conflict of laws of such state, except that Section 10 shall be construed in accordance with the Federal Arbitration Act if arbitration is chosen as the method of resolution.

10. Settlement of Disputes; Arbitration.

Any dispute or controversy arising under or in connection with this

Agreement shall be settled, at the election of the Executive, the Executive's wife or the owner of the insurance policy held pursuant to the Split-Dollar Agreement, either by arbitration in Chicago, Illinois in accordance with the rules of the American Arbitration Association then in effect or by litigation. Judgment may be entered on the arbitrator's award in any court having jurisdiction.

11. Certain Limitations.

Nothing in this Agreement shall grant the Executive any right to remain an executive, director or employee of the Company or of any its subsidiaries for any period of time.

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12. Miscellaneous.

a. Expenses. All costs and expenses of administering this Agreement shall be borne by the Company.

b. Action by the Company. Any action required or permitted to be taken under this Agreement by the Company shall be by resolution of the Board of Directors, by the duly authorized Committee of the Board of Directors, or by a person or persons authorized by resolution of the Board of Directors or the Committee.

IN WITNESS WHEREOF the parties have signed and sealed this Agreement as of the date first above written.

In the presence of

SNAP-ON INCORPORATED

/s/

By /s/ Michael F. Montemurro

Its Senior Vice President -
Transportation

/s/

/s/ Frederick D. Hay
Frederick D. Hay

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EXHIBIT A

SNAP-ON INCORPORATED

SPLIT-DOLLAR INSURANCE AGREEMENT

1. This Agreement is entered into this 27th day of September, 1999, by and between SNAP-ON INCORPORATED, a Delaware corporation, and the HAY 1999 INSURANCE TRUST.

2. Definitions.

(a) "Company" means Snap-on Incorporated, a Delaware corporation, with offices in Kenosha, Wisconsin.

(b) "Insureds" means Frederick D. and Kathleen V. Hay.

(c) "Insurer" means Northwestern Mutual Life.

(d) "Owner" means the Hay 1999 Insurance Trust, who may or may not be the

same person as the Insureds.

(e) "Policy" means the policy or policies of insurance on the lives of the Insureds issued by the Insurer and listed on Schedule "A" attached hereto together with any supplementary contracts issued by the Insurer in conjunction therewith

(f) "Policy Interest" means the interest of the Company in the Policy. Policy Interest is an amount equal to the aggregate premiums paid by the Company. The existence of the Company's Policy Interest shall be evidenced by filing with the Insurer an assignment in substantially the form attached hereto as Schedule "B."

3. Premium Payments.

(a) The Company agrees to pay up to the first ten (10) annual premium payments of Ninety Thousand One Hundred Twenty-one and 60/100 Dollars (\$90,121.60) as they become due. The Owner shall be responsible for paying all premium payments not paid by the Company.

(b) Policy dividends shall be applied to purchase paid-up additional insurance protection.

4. Policy Ownership.

(a) Except as provided in subparagraph (b), the Owner shall be the sole and exclusive owner of the Policy. This includes all the rights of "owner" under the terms of the Policy except as otherwise provided in this Section 4, including but not limited to the right to designate beneficiaries and select settlement options.

(b) Neither the Owner nor the Company shall have the right to obtain a cash loan from the Insurer in accordance with the loan provisions of the Policy.

(c) In exchange for the Company's payment of its premium contribution under Section 3, the Owner shall assign to the Company the following limited ownership rights in the Policy:

- (1) The right to recover its Policy Interest from the cash value of the Policy in the event of the termination of this Agreement as provided in Section 5.
- (2) The right to recover its Policy Interest from the proceeds of the Policy in the event of the death of the survivor of the Insureds.

(d) To secure the Company's interest in the Policy the Owner shall execute an Assignment of the Policy to the Company in substantially the form attached hereto as Schedule B.

(e) It is agreed that benefits will be paid under the Policy by the Insurer only by separate checks to the parties entitled thereto.

5. Termination of Plan.

(a) This Agreement may be terminated by the Owner by giving notice in writing to the Company. In the event of termination of this Agreement the Owner shall, at its election:

- (1) Repay to the Company within 60 days of the date of termination an amount equal to the Company's Policy Interest. Or,
- (2) Execute any and all instruments that may be required to vest ownership of the Policy in the Company; and the Company shall refund to Owner that part of any payment by

the Owner under Section 3 for the premium payment period in which termination occurred representing the unexpired portion of that period. Thereafter, Owner shall have no further interest in the Policy.

(b) This Plan shall terminate on the sixteenth anniversary of the issuance of the Policy.

6. The Insurer shall be bound only by the provisions of and endorsements on the Policy, and any payments made or action taken by it in accordance therewith shall fully discharge it from all claims, suits and demands of all persons whatsoever. It shall in no way be bound by or be deemed to have notice of the provisions of this Agreement.

7. The Company and the Owner may amend this Agreement. Such amendment shall be in writing and signed by the Company and Owner.

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8. This Agreement shall bind and inure to the benefit of the Company and its successors and assigns; Owner and his/her heirs, executors, administrators and assigns; and any Policy beneficiary.

IN WITNESS WHEREOF the parties have signed and sealed this Agreement on the date first above written.

In the presence of

SNAP-ON INCORPORATED

/s/

By /s/ Michael F. Montemurro

/s/

Its Senior Vice President - Transportation

OWNER

HAY 1999 INSURANCE TRUST

/s/ Donald W. Hay
Donald W. Hay, Trustee

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SCHEDULE A

LIFE INSURANCE

Policy Number	Initial Face Amount	Insureds' Initial Economic Benefit
15173092	\$1,600,000	\$701

SCHEDULE B

COLLATERAL ASSIGNMENT FORM

SNAP-ON INCORPORATED SPLIT-DOLLAR INSURANCE PLAN

Insurer: Northwestern Mutual Life

Insureds: Frederick D. and Kathleen V. Hay

Policy No. 15173092

FOR VALUE RECEIVED, THIS ASSIGNMENT is made by the undersigned Owner effective this 27th day of September, 1999.

1. Definitions.

(a) "Assignee" means Snap-on Incorporated, a Delaware corporation, of Kenosha, Wisconsin.

(b) "Insureds" means Frederick D. and Kathleen V. Hay.

(c) "Insurer" means Northwestern Mutual Life.

(d) "Owner" means the Hay 1999 Insurance Trust.

(e) "Policy" means the following policy or policies of insurance issued by the Insurer on the lives of the Insureds, together with any supplementary contracts issued in conjunction therewith:

Policy Number: 15173092 Face Amount: \$1,600,000

(f) "Policy Interest" means the Assignee's "Policy Interest" as set forth in the Split-Dollar Plan. The Insurer shall be entitled to rely on the Assignee's certification of the amount of its Policy Interest.

(g) "Split-Dollar Plan" means that certain plan of even date herewith, between the Owner and the Assignee. The Insurer is not bound by nor deemed to have notice of the provisions of the Split-Dollar Plan.

2. Introduction. Under the Split-Dollar Plan, the Assignee has agreed to assist the Owner in payment of premiums on the Policy. In consideration of such premium payments by the Assignee, the Owner grants herein to the Assignee certain limited interests in the Policy.

3. Assignment. The Owner hereby assigns, transfers and sets over to the Assignee, its successors and assigns, the following specific rights in the Policy and subject to the following terms and conditions:

(a) The right to recover its Policy Interest from the cash value of the Policy in the event of the Policy's surrender by the Owner.

(b) The right to recover its Policy Interest from the proceeds of the Policy in the event of the death of the survivor of the Insureds.

4. Insurer. The Insurer is hereby authorized to recognize, and is fully protected in recognizing:

(a) The claims of the Assignee to rights hereunder, without investigating the reasons for such action by the Assignee, or the validity or the amount of such claims.

(b) The Owner's request for surrender of the Policy with or without the consent of the Assignee. Upon surrender, the Policy shall be terminated and of no further force or effect.

5. Release of Assignment. Upon payment to the Assignee of its policy interest, the Assignee shall execute a written release of this assignment.

IN WITNESS WHEREOF the Owner has executed this assignment on the date first above written.

HAY 1999 INSURANCE TRUST

Donald W. Hay, Trustee

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EXHIBIT B

Male Age 55/Female Age 54

CORPORATE SUMMARY

FREDERICK AND KATHLEEN HAY CALCULATION OF NET PRESENT VALUE OF CORPORATE CASH FLOWS September, 1999

		Corporate Cost of Deferral					
		(1)	(2)	(3)	(4)	(5)	(6)
					63%(3)	63%(2)	NPV Sum (4) +NPV (5)
		Annual	End of	Annual Payment		Net A/T	Net
		Deferral	Year	Gross	Net A/T	Death	Present
Yr.	Age		Account			Benefit	Value
			Balance			Payable	
1	55	200,000	218,000	0	0	137,340	132,338
2	56	0	237,620	0	0	149,701	138,994
3	57	0	259,006	0	0	163,174	145,985
4	58	0	282,316	0	0	177,859	153,328
5	59	0	307,725	0	0	193,867	161,040
6	60	0	335,420	0	0	211,315	169,140
7	61	0	365,608	0	0	230,333	177,648
8	62	0	398,513	0	0	251,063	186,583
9	63	0	434,379	0	0	273,659	195,968
10	64	0	473,473	0	0	298,288	205,825
11	65	0	442,309	67,685	42,642	278,654	214,698
12	66	0	408,340	67,685	42,642	257,254	222,591
13	67	0	371,314	67,685	42,642	233,928	229,507
14	68	0	330,956	67,685	42,642	208,502	235,447
15	69	0	286,965	67,685	42,642	180,788	240,409
16	70	0	239,015	67,685	42,642	150,580	244,392
17	71	0	186,750	67,685	42,642	117,653	247,391
18	72	0	129,781	67,685	42,642	81,762	249,399
19	73	0	67,685	67,685	42,642	42,642	250,408
20	74	0	0	67,685	42,642	0	250,408
		200,000		676,849	426,415		

Corporate Cost of Life Insurance			Survivor Benefit	
(7)	(8)	(9)	(10)	(11)
	Sum (7)	NPV Sum (7) +NPV (8)	(6) - (9) Net A/T	(10) / 63%
Scheduled Premium Outlay	Premium Recovery At Death	Net Present Value	Corp. Values in Excess of Waived Compensation	Lump Sum Payable
90,121	(90,121)	3,282	129,055	204,849
90,121	(180,241)	9,608	129,386	205,374
90,121	(270,362)	18,751	127,234	201,958
90,121	(360,482)	30,498	122,830	194,968
90,121	(450,603)	44,647	116,393	184,751
90,121	(540,724)	61,007	108,133	171,640
90,121	(630,844)	79,399	98,249	155,951
90,121	(720,965)	99,652	86,931	137,986
90,121	(811,085)	121,607	74,361	118,034
90,121	(901,206)	145,113	60,712	96,369
0	(901,206)	167,763	46,935	74,500
0	(901,206)	189,588	33,003	52,386
0	(901,206)	210,618	18,889	29,983
0	(901,206)	230,882	4,565	7,246
0	(901,206)	250,408	(9,998)	(15,870)
(901,206)	0	250,408	(6,016)	(9,549)
0	0	250,408	(3,017)	(4,789)
0	0	250,408	(1,009)	(1,602)
0	0	250,408	0	0
0	0	250,408	0	0

		Assumptions	
Years to Defer	1	Interest Crediting Rate	9%
Deferral	200,000	NPV Interest Rate	6%
Years Before Pymts Begin	10	Year to Roll-Out	15
Tax Rate	37%		

EXHIBIT C

SNAP-ON INCORPORATED INSURANCE BENEFIT TRUST

(Established pursuant to the Deferred Compensation Waiver and Insurance Benefit Agreement dated September 27, 1999, between Snap-on Incorporated and Frederick D. Hay)

(a) This Agreement made this 27th day of September, 1999, by and between SNAP-ON INCORPORATED, a Delaware Corporation (the "Company") and THE NORTHERN TRUST COMPANY ("Trustee");

(b) WHEREAS, Company has entered into a Deferred Compensation Waiver And Insurance Benefit Agreement with Frederick D. Hay dated September 27, 1999 (the "Plan").

(c) WHEREAS, Company has incurred liability under the terms of such Plan.

(d) WHEREAS, Company wishes to establish a trust (hereinafter called "Trust") and to contribute to the Trust assets that shall be held therein, subject to the claims of Company's Insolvency, as herein defined, until used to pay insurance premiums as required by Section 3 of the Plan or used to pay a death benefit as required by Section 4 of the Plan;

(e) WHEREAS, all payments made pursuant to the Plan are made to or for the benefit of Frederick D. Hay, Kathleen V. Hay, the Hay 1999 Insurance Trust, the beneficiary designated by Frederick D. Hay pursuant to Section 4 of the Plan or the estate of the survivor of Frederick D. Hay and Kathleen V. Hay (the "Plan Beneficiaries");

(f) WHEREAS, it is the intention of the parties that this Trust shall constitute an unfunded arrangement and shall not affect the status of the Plan as an unfunded plan for purposes of Title I of the Employee Retirement Income Security Act of 1974;

(g) WHEREAS, it is the intention of Company to make contributions to the Trust to provide itself with a source of funds to assist it in the meeting of its liabilities under the Plan;

NOW, THEREFORE, the parties do hereby establish the Trust and agree that the Trust shall be comprised, held and disposed of as follows:

Section 1. Establishment of Trust.

(a) Company hereby deposits with Trustee in trust One Hundred Dollars (\$100.00) which shall become the principal of the Trust to be held, administered and disposed of by the Trustee as provided in this Trust Agreement.

(b) The Trust hereby established is revocable by Company; it shall become irrevocable upon a Change of Control, as defined herein.

(c) The Trust is intended to be a grantor trust, of which Company is the grantor, within the meaning of subpart E, part I, subchapter J, chapter 1, subtitle A of the Internal Revenue Code of 1986, as amended, and shall be construed accordingly.

(d) Company shall have the right at any time, and from time to time in its sole discretion, to substitute assets of equal fair market value for any

asset held by the Trust. This right is exercisable by Company in a nonfiduciary capacity without the approval or consent of any person in a fiduciary capacity.

(e) The principal of the Trust, and any earnings thereon, shall be held separate and apart from other funds of Company and shall be used exclusively for the uses and purposes of the Plan and general creditors as herein set forth.

(f) No Plan Beneficiary shall have any preferred claim on, or any beneficial ownership interest in, any asset of the Trust. Any rights created under the Plan and this Trust Agreement shall be mere unsecured contractual rights of the Plan Beneficiaries against Company. Any assets held by the Trust will be subject to the claims of Company's general creditors under federal and state law in the event of Insolvency, as defined in Section 3(a) herein.

(g) Upon a Change of Control, Company shall immediately make an irrevocable contribution to the Trust as required by Section 5 of the Plan. The Trustee shall have no duty to enforce any funding obligations of the Company and the duties of the Trustee shall be governed solely by the terms of this Trust Agreement.

Section 2. Payments Under the Plan.

(a) Upon a Change of Control, Company shall deliver to Trustee a schedule (the "Payment Schedule") that directs the Trustee regarding the amounts payable under the Plan, the form in which such amounts are to be paid, and the dates on which such amounts are payable. Except as otherwise provided herein, the Trustee shall make payments in accordance with such Payment Schedule. The Company shall have the sole responsibility for all tax withholding, related filings and reports. The Trustee shall withhold for taxes such amounts from distributions as the Company directs and shall follow the instructions of the Company with respect to the remission of such withheld amounts to the appropriate governmental authorities.

(b) Company may make payments directly as they become due under the terms of the Plan. Company shall notify Trustee of its decision to make payments directly prior to the time amounts are payable under the Plan. In addition, if the principal of the Trust, and any earnings thereon, are not sufficient to make payments in accordance with the terms of the Plan, Company shall make the balance of each such payment as it falls due. Trustee shall notify Company where principal and earnings are not sufficient.

(c) The entitlement of Plan Beneficiaries to benefits under the Plan shall be determined under the Plan, and any claim for such benefits shall be considered and reviewed under the procedure set out in the Plan.

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Section 3. Trustee Responsibility Regarding Payments When Company is Insolvent.

(a) Trustee shall cease payments under the Plan if the Company is Insolvent. Company shall be considered "Insolvent" for purposes of this Trust Agreement if (i) Company is unable to pay its debts as they become due, or (ii) Company is subject to a pending proceeding as a debtor under the United States Bankruptcy Code.

(b) At all times during the continuance of this Trust, as provided in Sections 1(e) and 1(f) hereof, the principal and income of the Trust shall be subject to claims of general creditors of Company under federal and state law as set forth below.

(1) The Board of Directors and the Chief Executive Officer of Company shall have the duty to inform Trustee in writing of Company's Insolvency. If a person claiming to be a creditor of Company alleges in writing to Trustee that Company has become Insolvent, Trustee shall

determine whether Company is Insolvent and, pending such determination, Trustee shall discontinue payment of benefits under the Plan.

(2) Unless Trustee has actual knowledge of Company's Insolvency, or has received notice from Company or a person claiming to be a creditor alleging that Company is Insolvent, Trustee shall have no duty to inquire whether Company is Insolvent. Trustee may in all events rely on such evidence concerning Company's solvency as may be furnished to Trustee and that provides Trustee with a reasonable basis for making a determination concerning Company's solvency. In no event shall "actual knowledge" be deemed to include knowledge of Company's credit status held by banking officers or banking employees of The Northern Trust Company which has not been communicated to the Trust Department of Trustee. The Trustee may appoint an independent accounting, consulting or law firm to make any determination of solvency required by Trustee under this Section 3. In such event, Trustee may conclusively rely upon the determination by such firm and shall be responsible only for the prudent selection of such firm.

(3) If at any time Trustee has determined that Company is Insolvent, Trustee shall discontinue payments under the Plan and shall hold the assets of the Trust for the benefit of Company's general creditors. Nothing in this Trust Agreement shall in any way diminish any rights as general creditors of Company with respect to benefits due under the Plan or otherwise.

(4) Trustee shall resume the payments under the Plan in accordance with Section 2 of this Trust Agreement only after Trustee has determined that Company is not Insolvent (or is no longer Insolvent).

(c) Provided that there are sufficient assets, if Trustee discontinues the payments from the Trust pursuant to Section 3(b) hereof and subsequently resumes such payments, the first payment following such discontinuance shall include the aggregate amount of all payments due under the terms of the Plan for the period of such discontinuance, less the aggregate amount of any payments made by Company in lieu of the payments provided for

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hereunder during any such period of discontinuance, all in accordance with the Payment Schedule. The Payment Schedule may only be modified by the Company with the written consent of all Plan Beneficiaries as necessary to comply with the provisions of this paragraph. The Company shall be responsible for securing the written consent of all Plan Beneficiaries and providing such consents to the Trustee.

Section 4. Payments to Company.

Except as provided in Section 3 hereof, after the Trust has become irrevocable, Company shall have no right or power to direct Trustee to return to Company or to divert to others any of the Trust assets before all payments of benefits have been made pursuant to the terms of the Plan. The Trustee shall be entitled to rely on the written representations of the Company and all Plan Beneficiaries that all such payments have been made. The Company shall be responsible for securing the written representations of all Plan Beneficiaries and providing such representations to the Trustee.

Section 5. Disposition of Income.

During the term of this Trust, all income received by the Trust, net of expenses and taxes, shall be accumulated and reinvested.

Section 6. Accounting by Trustee.

Trustee shall keep accurate and detailed records of all investments, receipts, disbursements, and all other transactions required to be made,

including such specific records as shall be agreed upon in writing between Company and Trustee, which records may be audited annually (or at such other times as agreed by the Company and the Trustee) by the Company or anyone named by the Company. Within thirty (30) days following the close of each calendar year and within thirty (30) days after the resignation of Trustee, Trustee shall deliver to Company a written account of its administration of the Trust during such year or during the period from the close of the last preceding year to the date of such resignation, setting forth all investments, receipts, disbursements and other transactions effected by it, including a description of all securities and investments purchased and sold with the cost or net proceeds of such purchases or sales (accrued interest paid or receivable being shown separately), and showing all cash, securities and other property held in the Trust at the end of such year or as of the date of such resignation, as the case may be. In the absence of the filing in writing with the Trustee by the Company of exceptions or objections to any such account within ninety (90) days, the Company shall be deemed to have approved such account; in such case, or upon the written approval by the Company of any such account, the Trustee shall be released, relieved and discharged with respect to all matters and things set forth in such account as though such account had been settled by the decree of a court of competent jurisdiction. The Trustee may conclusively rely on determinations of the Company of valuations for assets of the Trust for which the Trustee deems there to be no readily determinable fair market value and on the determination of the issuer of any insurance contracts with respect to the fair market value of such insurance contracts.

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Section 7. Responsibility of Trustee.

(a) Trustee shall act with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims; provided, however, that Trustee shall incur no liability to any person for any action taken pursuant to a direction, request or approval given by Company which is contemplated by, and in conformity with, the terms of this Trust and is given in writing by Company. In the event of a dispute between Company and a party, Trustee may apply to a court of competent jurisdiction to resolve the dispute.

(b) If Trustee undertakes or defends any litigation arising in connection with this Trust, Company agrees to indemnify Trustee against Trustee's costs, expenses and liabilities (including, without limitation, attorneys' fees and expenses) relating thereto and to be primarily liable for such payments. If Company does not pay such costs, expenses and liabilities in a reasonably timely manner, Trustee may obtain payment from the Trust.

(c) Trustee may consult with legal counsel (who may also be counsel for Company generally) with respect to any of its duties or obligations hereunder.

(d) Trustee shall have, without exclusion, all powers conferred on Trustees by applicable law, unless expressly provided otherwise herein.

(e) Notwithstanding any powers granted to Trustee pursuant to this Trust Agreement or to applicable law, Trustee shall not have any power that could give this Trust the objective of carrying on a business and dividing the gains therefrom, within the meaning of section 301.7701-2 of the Procedure and Administrative Regulations promulgated pursuant to the Internal Revenue Code.

(f) To invest and reinvest part or all of the trust fund in any real or personal property (including investments in any stocks, bonds, debentures, mutual fund shares (including those for which the Trustee or its affiliate is advisor), notes, commercial paper, treasury bills, options, commodities, futures contracts, partnership interests, venture capital investments, any interest bearing deposits held by any bank or similar financial institution, and any other real or personal property) and to diversify such investments so as to

minimize the risk of large losses unless under the circumstances it is clearly prudent not to do so; except that the Company may from time to time establish investment guidelines and the trustee shall follow such investment guidelines.

(g) To retain in cash such amounts as the trustee considers advisable and as are permitted by applicable law and to deposit any cash so retained in any depository (including any bank acting as trustee) which the trustee may select.

(h) To manage, sell, insure and otherwise deal with all real and personal property held by the trustee on such terms and conditions as the trustee shall decide.

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(i) To vote stock and other voting securities personally or by proxy (and to delegate the trustee's powers and discretions with respect to such stock or other voting securities to such proxy), to exercise subscription, conversion and other rights and options (and make payments from the trust fund in connection therewith), to take any action and to abstain from taking any action with respect to any reorganization, consolidation, merger, dissolution, recapitalization, refinancing and any other program or change affecting any property constituting a part of the trust fund (and in connection therewith to delegate the trustee's discretionary powers and to pay assessments, subscriptions and other charges from the trust fund), to hold or register any property from time to time in the trustee's name or in the name of a nominee or to hold it unregistered or in such form that title shall pass by delivery and, with the approval of the Company, to borrow from anyone, including any bank acting as trustee, to the extent permitted by law, such amounts from time to time as the trustee considers desirable to carry out this trust (and to mortgage or pledge all or part of the trust fund as security).

(j) To make payments from the trust fund of amounts that have become payable under the Plan pursuant to Section 2 to the extent not already paid by the Company or that are required to be made to the creditors of the Company pursuant to Section 3.

(k) To employ counsel and to begin, maintain or defend any litigation necessary in connection with the administration of this trust except that, unless otherwise required by law, the trustee shall not be obliged or required to do so unless indemnified to the trustee's satisfaction. (l) To withhold, if the trustee considers it advisable, all or any part of any payment required to be made hereunder as may be necessary and proper to protect the trustee or the trust fund against any liability or claim on account of any estate, inheritance, income or other tax or assessment attributable to any amount payable hereunder, and to discharge any such liability with any part or all of such payment so withheld, provided that at least ten days prior to discharging any such liability with any amount so withheld the trustee shall notify the Company in writing of the trustee's intent to do so.

(m) The Company (which has the authority to do so under the laws of its state of incorporation) shall indemnify the Trustee and defend it and hold it harmless from and against any and all liabilities, losses, claims, suits or expenses (including attorneys' fees), of whatsoever kind and nature which may be imposed upon, asserted against or incurred by the Trustee at any time by reason of its provision of services under this Trust Agreement, its status as Trustee, or by reason of any act or failure to act under this Trust Agreement, or any action taken in accordance with any directions which conform with the terms of this Trust Agreement, or acts omitted due to absence of such directions, from the Company, except to the extent, such liability, loss, claim, suit or expense arises directly from the Trustee's negligence or willful misconduct in the performance of responsibilities specifically allocated to it under this Trust Agreement. This paragraph shall survive the termination of the Trust Agreement.

(n) To furnish the Company with such information in the trustee's possession as the Company may need for tax or other purposes.

(o) To employ agents, attorneys, accountants, actuaries and other persons (who also may be employed by the Company, the Company or others), to delegate discretionary powers to such persons and to reasonably rely upon information and advice furnished by such persons; provided that each such delegation and the acceptance thereof by each such person shall be in writing; and provided further that the trustee may not delegate its responsibilities as to the management or control of the assets of the trust fund.

(p) To perform all other acts which in the trustee's judgment are appropriate for the proper management, investment and distribution of the trust fund.

(q) The trustee may invest any part or all of the trust assets for which it has investment responsibility in any common, collective or commingled trust fund or pooled investment fund that is maintained by a bank or trust company (including a bank or trust company acting as trustee) provided such investments are consistent with applicable investment requirements and guidelines. To the extent that any trust assets are invested in any such fund, the provisions of the documents under which such common, collective or commingled trust fund or pooled investment fund are maintained shall govern any investments therein.

Section 8. Compensation and Expenses of Trustee.

Company shall pay all administrative and Trustee's fees and expenses. If not so paid, the fees and expenses shall be paid from the Trust.

Section 9. Resignation of Trustee.

(a) Trustee may resign at any time by written notice to Company, which shall be effective thirty (30) days after receipt of such notice unless Company and Trustee agree otherwise.

(b) The Trustee may not be removed by Company.

(c) Upon resignation of Trustee and appointment of a successor Trustee, all assets shall subsequently be transferred to the successor Trustee. The transfer shall be completed within thirty (30) days after receipt of notice of resignation or transfer, unless Company extends the time limit. The Company's consent to the extension of time for the transfer of trust assets shall not be unreasonably withheld.

(d) If Trustee resigns, a successor shall be appointed, in accordance with Section 10(a) hereof, by the effective date of the resignation under Section 9(a). If no such appointment has been made, Trustee may apply to a court of competent jurisdiction for appointment of a successor or for instructions. All expenses of Trustee in connection with the proceeding shall be allowed as administrative expenses of the Trust.

Section 10. Appointment of Successor.

(a) If Trustee resigns a successor Trustee shall be appointed by the written consent of the Company and all Plan Beneficiaries. The Company shall be responsible for securing the written consent of all Plan Beneficiaries and providing such consents to the former Trustee and the new Trustee. Any third party such as a bank trust department or other party that may be granted corporate trustee powers under state law may be appointed successor Trustee. The appointment of a successor Trustee shall be effective when accepted in writing

by the new Trustee. The new Trustee shall have all the rights and powers of the former Trustee, including ownership rights in Trust assets. The former Trustee shall execute any instrument necessary or reasonably requested by the successor Trustee to evidence the transfer.

(b) The successor Trustee need not examine the records and acts of any prior Trustee and may retain or dispose of existing Trust assets, subject to Sections 6 and 7 hereof. The successor Trustee shall not be responsible for and Company shall indemnify and defend the successor Trustee from any claim or liability resulting from any action or inaction of any prior Trustee or from any other past event, or any condition existing at the time it becomes successor Trustee.

Section 11. Amendment or Termination.

(a) This Trust Agreement may be amended by a written instrument executed by Trustee and the Company. Notwithstanding the foregoing, no such amendment shall conflict with the terms of the Plan or shall make the Trust revocable after it has become irrevocable in accordance with Section 1(b) hereof. The Trustee be shall entitled to rely upon the written determination and representation of the Company and all Plan Beneficiaries that such amendment does not conflict with the terms of the Plan. The Company shall be responsible for securing the written determination of all Plan Beneficiaries and providing such determinations to the Trustee.

(b) The Trust shall not terminate until the date on which no one is entitled to payments pursuant to the terms of the Plan unless sooner revoked in accordance with Section 1(b) hereof. Upon termination of the Trust any assets remaining in the Trust shall be returned to Company. The Trustee shall be entitled to rely upon the written determination and representation of the Company and the Plan Beneficiaries as to such non-entitlement. The Company shall be responsible for securing the written determination of all Plan Beneficiaries and providing such determinations to the Trustee.

(c) Upon written approval of all Plan Beneficiaries the Company may terminate this Trust prior to the time all benefit payments under the Plan have been made. All assets in the Trust at termination shall be returned to Company.

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Section 12. Miscellaneous.

(a) Any provision of this Trust Agreement prohibited by law shall be ineffective to the extent of any such prohibition, without invalidating the remaining provisions hereof.

(b) Amounts payable under this Trust Agreement may not be anticipated, assigned (either at law or in equity), alienated, pledged, encumbered or subjected to attachment, garnishment, levy, execution or other legal or equitable process.

(c) This Trust Agreement shall be governed by and construed in accordance with the laws of Wisconsin.

(d) For purposes of this Trust, Change of Control shall have the meaning given it in Section 1.c. of the Restated Senior Officer Agreement between the Company and Frederick D. Hay dated January 29, 1996. The Company shall immediately notify the Trustee of any Change of Control. The Trustee may conclusively rely upon such notice and shall have no duty to determine whether a Change of Control has occurred.

(e) Where written approval, consent, determination or other communication is required of or by the Plan Beneficiaries under any provision of this Trust Agreement, the Company shall certify to the Trustee that the responding Plan Beneficiaries are all of the Plan Beneficiaries under the terms of the Plan and

this Trust Agreement at that time, and the Trustee may rely on such certification.

Section 13. Effective Date.

The effective date of this Trust Agreement shall be the date written above.

In the presence of

SNAP-ON INCORPORATED

By

Its

THE NORTHERN TRUST COMPANY, Trustee

By

Its

Amended and Restated
Snap-on Incorporated
Directors' 1993 Fee Plan
(as amended through October 22, 1999)

1. Purpose. The Amended and Restated Snap-on Incorporated Directors' 1993 Fee Plan (the "Plan") is intended to provide an incentive to members of the Board of Directors (the "Board") of Snap-on Incorporated, a Delaware corporation (the "Company"), who are not employees of the Company ("Directors"), to remain in the service of the Company and increase their efforts for the success of the Company and to encourage such Directors to own shares of the Company's stock or participate in a Company phantom stock account, thereby aligning their interests more closely with the interests of stockholders.

2. Definitions.

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

(b) "Committee" means a committee consisting of members of the Board authorized to administer the Plan.

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

(d) "Deferral Election" means an election pursuant to Section 6 hereof to defer receipt of Fees and/or shares of Common Stock which would otherwise be received pursuant to Minimum Grants and Elective Grants.

(e) "Deferred Amounts" mean the amounts credited to a Director's Share Account or Cash Account pursuant to a Deferral Election.

(f) "Director" means a member of the Board or an appointed Director Emeritus, who is not an employee of the Company.

(g) "Elective Grants" shall have the meaning set forth in Section 5(b) hereof.

(h) "Exchange Act" means the Securities Exchange Act of 1934, as amended.

(i) "Fair Market Value" means the closing price of the Common Stock on the New York Stock Exchange on any particular date; provided, however, that for purposes of Section 8, Fair Market Value shall mean the closing price of Common Stock on the New York Stock Exchange on the date of the Change of Control (as defined therein) or, if higher, the highest price per share of Common Stock paid in the transaction giving rise to the Change of Control.

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(j) "Fees" mean the annual retainer scheduled to be paid to a Director for the calendar year plus any additional fees (including meeting and committee fees) earned by a Director for his or her services on the Board during the calendar year.

(k) "Grants" mean Minimum Grants and Elective Grants.

(l) "Minimum Grants" shall have the meaning set forth in Section 5(a) hereof.

(m) "Share Election" shall have the meaning set forth in Section 5(b) hereof.

3. Administration of the Plan.

(a) Member of the Committee. The Plan shall be administered by the Committee. Members of the Committee shall be appointed from time to time by the

Board, shall serve at the pleasure of the Board and may resign at any time upon written notice to the Board.

(b) Authority of the Committee. The Committee shall adopt such rules as it may deem appropriate in order to carry out the purpose of the Plan. All questions of interpretation, administration, and application of the Plan shall be determined by a majority of the members of the Committee then in office, except that the Committee may authorize any one or more of its members, or any officer of the Company, to execute and deliver documents on behalf of the Committee. The determination of such majority shall be final and binding in all matters relating to the Plan. No member of the Committee shall be liable for any act done or omitted to be done by such member or by any other member of the Committee in connection with the Plan, except for such member's own willful misconduct or as expressly provided by statute.

4. Stock Reserved for the Plan. The number of shares of Common Stock authorized for issuance under the Plan is 300,000, subject to adjustment pursuant to Section 7 hereof. Shares of Common Stock delivered hereunder may be either authorized but unissued shares or previously issued shares reacquired and held by the Company.

5. Terms and Conditions of Grants.

(a) Minimum Grant. Subject to Section 5(e) hereof, each Director shall automatically receive (subject to a Deferral Election) a number of whole shares of Common Stock equal in value to fifty percent (50%) of his or her Fees earned in each calendar year (the "Minimum Grants"). Such shares of Common Stock (and cash in lieu of fractional shares) shall be transferred in accordance with Section 5(c) hereof.

(b) Elective Grant. Subject to Section 5(e) hereof, each Director may make an election (the "Share Election") to receive (subject to a Deferral Election) any or all of his or her remaining Fees earned in each calendar year in the form of Common Stock (the "Elective Grants"). The shares of Common Stock (and cash in lieu of fractional shares) issuable pursuant to a Share Election shall be transferred in accordance with Section 5(c) hereof. The Share

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Election (i) must be in writing and delivered to the Secretary of the Company, (ii) shall be effective commencing on the date the Secretary receives the Share Election or such later date as may be specified in the Share Election, and (iii) shall remain in effect unless modified or revoked by a subsequent Share Election in accordance with the provisions hereof.

(c) Transfer of Shares. Shares of Common Stock issuable to a Director with respect to Minimum Grants and Elective Grants shall be transferred to such Director as of the last business day of each calendar month. The total number of shares of Common Stock to be so transferred (1) in respect of a Minimum Grant, shall be determined by dividing (a) an amount equal to fifty percent (50%) of the Director's Fees payable during the applicable calendar month, by (b) the Fair Market Value of a share of Common Stock on the last business day of such calendar month, and (2) in respect of an Elective Grant, shall be determined by dividing (x) the dollar amount of the Director's Fees payable during the applicable calendar month to which the Share Election applies, by (y) the Fair Market Value of a share of Common Stock on the last business day of such calendar month. In no event, shall the Company be required to issue fractional shares. Whenever under the terms of this Section 5 a fractional share of Common Stock would otherwise be required to be issued to a Director, an amount in lieu thereof shall be paid in cash based upon the Fair Market Value of such fractional share.

(d) Termination of Services. If a Director's services as a Board member are terminated before the end of a calendar quarter, the Director shall receive in cash the Fees such Director would otherwise have been entitled to receive for such quarter in the absence of this Plan.

(e) Commencement of Grants. Notwithstanding anything in this Plan to the contrary, no Grants shall be effective with respect to Fees to be paid prior to the requisite approval of this Plan by the stockholders of the Company.

6. Deferral Election.

(a) In General. Each Director may irrevocably elect annually (a "Deferral Election") to defer receiving all or a portion of the shares of Common Stock (that would otherwise be transferred upon a Grant) or such Director's Fees in respect of a calendar year that are not subject to a Grant. Deferral Elections shall be made in multiples of ten percent. A Director who makes a Deferral Election with respect to Grants shall have the amount of deferred shares of Common Stock credited to a "Share Account" in the form of "Share Units." A Director who makes a Deferral Election with respect to Fees that are not subject to a Grant shall have the amount of Deferred Fees credited to a "Cash Account." Collectively, the amounts deferred in a Director's Share Account and Cash Account shall hereafter be the "Deferred Amounts."

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(b) Timing of Deferral Election. The Deferral Election shall be in writing and delivered to the Secretary of the Company on or prior to December 31 of the calendar year immediately preceding the calendar year in which the applicable Fees are to be earned; provided, however, that a New Director may make a Deferral Election with respect to Fees earned subsequent to such election during the thirty-day period immediately following the commencement of his or her directorship. A Deferral Election, once made, shall be irrevocable for the calendar year with respect to which it is made and shall remain in effect for future calendar years unless modified or revoked by a subsequent Deferral Election in accordance with the provisions hereof. A Deferral Election may be changed only with respect to fees earned subsequent to the effective date of such Election; provided, however, until December 31, 1999, Directors may execute a new Deferral Election to change the payment commencement date and/or manner of payments for previously Deferred Amounts.

(c) Cash Dividends and Share Accounts. Whenever cash dividends are paid by the Company on outstanding Common Stock, there shall be credited to the Director's Share Account additional Share Units equal to (i) the aggregate dividend that would be payable on outstanding Shares of Common Stock equal to the number of Share Units in such Share Account on the record date for the dividend, divided by (ii) the Fair Market Value of the Common Stock on the last trading business day immediately preceding the date of payment of the dividend.

(d) Cash Accounts. At the election of a Director, a Director's Cash Account shall be credited or debited with (i) interest at an annual rate equal to the sum of the daily interest earned at a rate specified by the Committee and compounded monthly or (ii) the annual investment return relating to such investment vehicle or vehicles that the Director chooses from those the Committee determines to make available, or such combination of (i) and (ii) as the Director designates at the time of a Deferral Election or a modification thereof.

(e) Commencement of Payments. Except as otherwise provided in Sections 6(h) and 8(b), a Director's Deferred Amounts shall become payable as soon as practicable following the earlier to occur of (a) the date the Director terminates service as a Director or (b) the Director's attainment of age 70 years or such later date designated by the Director in the Deferral Election.

(f) Form of Payments. Subject to a Director's right to convert a Share Account balance to a Cash Account, all payments from a Share Account shall be made in shares of Common Stock by converting Share Units into Common Stock on a one-for-one basis, with payment of fractional shares to be made in cash. All payments from a Cash Account shall be made in cash.

(g) Manner of Payments. In his or her Deferral Election, each

Director shall elect to receive payment of his or her Deferred Amounts either in a lump sum or in two to fifteen substantially equal annual installments. In the event of a Director's death, payment of the remaining portion of the Director's Deferred Amounts will be made to the Director's beneficiary in a lump sum as soon as practicable following the Director's death.

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(h) Hardship Distribution. Notwithstanding any Deferral Election, in the event of severe financial hardship to a Director resulting from a sudden and unexpected illness, accident or disability of the Director or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Director, all as determined by the Committee, a Director may withdraw any portion of the Share Units in his or her Share Account or cash in his or her Cash Account by providing written notice to the Secretary of the Company. All payments resulting from such a hardship shall be made in the form provided in Section 6(f) above.

(i) Designation of Beneficiary. Each Director or former Director entitled to payment of deferred amounts hereunder from time to time may designate any beneficiary or beneficiaries (who may be designated concurrently, contingently or successively) to whom any such deferred amounts are to be paid in case of the Director's death before receipt of any or all of such deferred amounts. Each designation will revoke all prior designations by the Director or former Director, shall be in a form prescribed by the Company, and will be effective only when filed by the Director or former Director, during his or her lifetime, in writing with the Secretary of the Company. Reference in this Plan to a Director's "beneficiary" at any date shall include such persons designated as concurrent beneficiaries on the Director's beneficiary designation form then in effect. In the absence of any such designation, any balance remaining in a Director's or former Director's Share Account at the time of the Director's death shall be paid to such Director's estate in a lump sum.

(j) Account Transfers. Subject to any applicable corporate policies, from time to time a Director may convert all or a portion of any Cash Account balance of the Director into deferred shares of Common Stock credited to the Director's corresponding Share Account by written notice to the Company. In such event, and effective as of the date the Company receives such a notice, (i) there shall be credited to the Director's Share Account a number of Share Units equal to the number of Share Units specified in the notice or, if such notice specifies a dollar amount, a number of Share Units equal to such dollar amount divided by the Fair Market Value on the last trading business day immediately preceding the date the Company receives such notice and (ii) the Director's Cash Account shall be debited in an amount equal to the number of Share Units credited to the Share Account multiplied by the Fair Market Value on the same trading business day. Subject to any applicable corporate policies, from time to time a Director with a credit balance in a Share Account may convert all or a portion of such balance into an amount to be credited to the Director's corresponding Cash Account by giving written notice to the Company. In such event, and effective as of the date the Company receives such a notice, (i) there shall be credited to the Director's Cash Account an amount equal to the number of Share Units specified in the notice multiplied by the Fair Market Value on the last trading business day immediately preceding the date the Company receives such notice and (ii) the Director's Share Account shall be debited by the number of Share Units specified in the notice.

7. Effect of Certain Changes in Capitalization. If there is any change in the number or class of shares of Common Stock through the declaration of stock dividends, or recapitalization resulting in stock splits, or combinations or exchanges of such shares or similar

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corporate transactions, the maximum number or class of shares available under

the Plan, the number or class of shares of Common Stock to be delivered hereunder and each Director's Share Account shall be proportionately adjusted by the Committee to reflect any such change in the number or class of issued shares of Common Stock; provided, however, that the number or class of shares of Common Stock to be delivered and each Director's Share Account shall be subject to only such adjustment as shall be necessary to maintain the proportionate interest of the Director and preserve, without exceeding, the value reflected by the Director's Share Account.

8. Change of Control.

(a) A "Change of Control" of the Company shall be deemed to have occurred if:

- (1) any "Person" (as such term is defined in Section 3(a)(9) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as modified and used in Sections 13(d) and 14(d) thereof, except that for purposes of this Section 8, the term "Person" shall not include (A) the Company or any of its subsidiaries, (B) a trustee or other fiduciary holding securities under an employee benefit plan of the Company or any of its subsidiaries, (C) an underwriter temporarily holding securities pursuant to an offering of such securities, or (D) a corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock in the Company) is or becomes the "Beneficial Owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company (not including in the securities beneficially owned by such Person any securities acquired directly from the Company or its affiliates) representing 25% or more of either the then outstanding shares of common stock of the Company or the combined voting power of the Company's then outstanding voting securities; or
- (2) the following individuals cease for any reason to constitute a majority of the number of directors then serving: individuals who, on January 1, 1996, constitute the Board and any new director (other than a director whose initial assumption of office is in connection with an actual or threatened election contest, including but not limited to a consent solicitation, relating to the election of directors of the Company, as such terms are used in Rule 14a-11 of Regulation 14A under the Exchange Act) whose appointment or election by the Board or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors on January 1, 1996 or whose appointment, election or nomination for election was previously so approved; or
- (3) the stockholders of the Company approve a merger or consolidation of the Company with any other corporation or approve the issuance of voting securities of the Company in connection with a merger or consolidation of the Company (or

any direct or indirect subsidiary of the Company) pursuant to applicable stock exchange requirements, other than (1) a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior to such merger or consolidation continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or any parent thereof) at least 60% of the combined voting power of the voting securities of the Company or such surviving entity or any parent thereof outstanding immediately after such merger or consolidation, or (2) a merger or consolidation effected to implement a recapitalization of the

Company (or similar transaction) in which no Person is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company not including in the securities beneficially owned by such Person any securities acquired directly from the Company or its affiliates) representing 25% or more of either the then outstanding shares of common stock of the Company or the combined voting power of the Company's then outstanding voting securities; or

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

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

(b) Upon the occurrence of a Change of Control:

(i) All Share Units credited to a Share Account shall be converted into cash in an amount equal to the number of Share Units multiplied by the Fair Market Value, and together with all Deferred Amounts credited to a Cash Account shall be transferred as soon as practicable to each Director; and

(ii) Notwithstanding anything herein to the contrary, Fees earned in respect of the calendar quarter in which the Change of Control occurs, shall be paid in cash as soon as practicable.

9. Term of Plan. This Plan shall become effective as of the date of approval of the Plan by the stockholders of the Company, and shall remain in effect until a Change of Control, unless sooner terminated by the Board; provided, however, that, except as provided in Section 8(b) hereof, Deferred Amounts may be delivered pursuant to any Deferral Election, in accordance with such election, after the Plan's termination. Prior to the effective date of the Plan, Directors may make the elections provided for herein, but the effectiveness of such elections shall be contingent upon the receipt of stockholder approval of the Plan. No transfer of shares of Common Stock may be made to any Director or any other person under the Plan until such time as stockholder approval of the Plan is obtained pursuant to this Section 9. In the event stockholder approval is not obtained, Fees that were not subject to Deferral Elections shall be paid to the Directors in cash and Fees that were subject to Deferral Elections shall be deferred pursuant to the Prior Plan.

10. Amendment; Termination. The Board or the Committee may at any time and from time to time alter, amend, suspend, or terminate the Plan in whole or in part; provided, however, that (a) no amendment which requires stockholder approval in order for the exemptions available under Rule 16b-3 of the Exchange Act, as amended from time to time ("Rule 16b-3"), to be applicable to the Plan and the Directors shall be effective unless the same shall be approved by the stockholders of the Company entitled to vote thereon; (b) the provisions of Section 5(a) hereof shall not be amended more than once every six months, other

than to comport with changes in the Internal Revenue Code of 1986, as amended, the Employee Retirement Income Security Act of 1974, as amended, or the rules thereunder; and (c) action by the Board shall be required to amend the first sentence of Section 5(a) hereof. Notwithstanding the foregoing, no amendment shall affect adversely any of the rights of any Director, without such Director's consent, under any election theretofore in effect under the Plan.

11. Rights of Directors.

(a) Retention as Director. Nothing contained in the Plan or with respect to any Grant shall interfere with or limit in any way the right of the stockholders of the Company to remove any Director from the Board pursuant to the bylaws of the Company, nor confer upon any Director any right to continue in the service of the Company as a Director.

(b) Nontransferability. No right or interest of any Director in Deferred Amounts shall be assignable or transferable during the lifetime of the Director, either voluntarily or involuntarily, or subjected to any lien, directly or indirectly, by operation of law, or otherwise, including execution, levy, garnishment, attachment, pledge or bankruptcy. In the event of a Director's death, a Director's rights and interests in his or her Deferred Amounts shall be transferable by testamentary will or the laws of descent and distribution. If in the opinion of the Committee a person entitled to payments or to exercise rights with respect to the Plan is disabled from caring for his or her affairs because of mental condition, physical condition or age, payment due such person may be made to, and such rights shall be exercised by, such person's guardian, conservator or other legal personal representative upon furnishing the Committee with evidence satisfactory to the Committee of such status.

12. General Restrictions.

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

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

13. Withholding. The Company may defer making payments under the Plan until satisfactory arrangements have been made for the payment of any federal, state or local income taxes required to be withheld with respect to such payment or delivery. Each Director shall be entitled to irrevocably elect to have the Company withhold shares of Common Stock having an aggregate value equal to the amount required to be withheld. The value of fractional shares remaining after payment of the withholding taxes shall be paid to the Director in cash. Shares so withheld shall be valued at Fair Market Value on the regular business day immediately preceding the date such shares would otherwise be transferred hereunder.

14. Governing Law. This Plan and all rights hereunder shall be construed in accordance with and governed by the laws of the State of Delaware.

15. Headings. The headings of sections and subsections herein are included solely for convenience of reference and shall not affect the meaning of any of the provisions of the Plan.

SNAP-ON INCORPORATED
DEFERRED COMPENSATION PLAN
(as amended through October 22, 1999)

Section 1. Establishment and Purposes

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

1.2 Purposes. The purposes of this Plan are to enable the Corporation to attract and retain persons of outstanding competence, to provide a means whereby certain amounts payable by the Corporation to selected executives may be deferred to some future period and to provide such executives with a means to have deferred amounts treated as if invested in the Corporation's stock, thereby aligning their interests more closely with the interests of shareholders. The plan is intended to constitute an unfunded plan primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees.

Section 2. Definitions

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

- (a) "Board" means the Board of Directors of the Corporation.
- (b) "Committee" means the Organization and Compensation Committee of the Board.
- (c) "Common Stock" means the common stock, par value \$1.00 per share, of the Corporation.
- (d) "Compensation" means the gross Salary and Incentive Compensation payable to a Participant during a Year and Other Compensation payable to a Participant.
 - (i) Salary. "Salary" means all regular, basic compensation, before reduction for amounts deferred pursuant to this Plan or any other plan of the Corporation, payable in cash to a Participant for services during the Year, exclusive of any bonuses or incentive compensation, special fees or awards, allowances, or amounts designated by the Corporation as payments toward or reimbursement of expenses.
 - (ii) Incentive Compensation. "Incentive Compensation" means the annual Incentive Compensation Plan payable in cash by the Corporation to a Participant in a Year.
 - (iii) Other Compensation. "Other Compensation" means other compensation payable in cash and/or Common Stock or other property by the Corporation to a Participant in a Year, including without limitation compensation payable under the Amended and Restated Snap-on Incorporated 1986 Incentive Stock Program, as amended (the "Stock Program"), if the award of such compensation provides that the Participant may defer the compensation.
- (e) "Corporation" means Snap-on Incorporated, a Delaware corporation.

- (f) "Fair Market Value" means the closing price of the Common Stock on the New York Stock Exchange on any particular date; provided, however, that for purposes of Section 16, Fair Market Value shall mean the closing price of the Common Stock on the New York Stock Exchange on the date of the Change of Control (as defined therein) or, if higher, the highest price per share of Common Stock paid in the transaction giving rise to the Change of Control.
- (g) "Growth Increment" means the amount of interest earned on a Participant's deferred amounts.
- (h) "Participant" means an individual selected by the Committee for participation in the Plan.
- (i) "Year" means a calendar year.

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

Section 3. Eligibility and Participation

3.1 Eligibility. The elected officers and appointed officers of the Corporation and, effective as of January 1, 1996, the elected and appointed officers of Snap-on Tools Company and of any other direct or indirect subsidiary of the Corporation designated by the Committee from time to time shall be eligible to participate in this Plan.

3.2 Ceasing Eligibility. In the event a Participant no longer meets the requirements for participation in this Plan, he shall become an inactive Participant, retaining all the rights described under this Plan, except the right to make any further deferrals, until the time that he again meets the eligibility requirements of Section 3.1.

Section 4. Election to Defer

4.1 Deferral Election. (a) Subject to the following provisions, prior to the beginning of the Year, a Participant irrevocably may elect, by written notice to the Corporation, to defer all or a percentage of annual Salary, Incentive Compensation, or both Salary and Incentive Compensation. The amount to be deferred each year must equal or exceed \$5,000.

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- (i) With respect to Salary deferrals, the deferral percentage elected shall be applied to the Participant's Salary for each pay period of the Year to which the Deferral Election applies and must be made before November 30 of the year immediately preceding the Year for which such Deferral Election applies.
- (ii) With respect to Incentive Compensation deferrals, the deferral percentage elected shall apply only to the Participant's Incentive Compensation payable with respect to service to be performed in the Year and must be made before December 31 of such Year.

(b) An individual who becomes a Participant at or after the beginning of the Year may irrevocably elect, by written notice to the Corporation, to defer all or a percentage of (i) the annual Salary earned by such Participant for such Year after such election, if such election is made within 30 days after becoming a Participant, and (ii) the pro rata share of the Participant's Incentive Compensation, if any, payable with respect to service performed during such Year, if such election is made before December 31 of such Year.

(c) If so provided in an award of Other Compensation, and subject to

such restrictions and conditions as may be set forth in the award or imposed by the Corporation, a Participant irrevocably may elect, by written notice to the Corporation, to defer all or a percentage of such Other Compensation.

4.2 Deferral Period. (a) The Participant irrevocably shall select the deferral period for each separate deferral. The deferral period shall be for a specified number of years or until a specified date. The deferral period shall not be less than five years.

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

- (i) Death,
- (ii) Total and permanent disability,
- (iii) Subject to subsection (c), retirement, or
- (iv) Subject to subsection (c), termination of employment.

(c) A Participant may elect to have a deferral period continue beyond termination of employment due to retirement by so indicating when the Participant selects, or modifies pursuant to Section 4.4, the Participant's deferral period for a deferral. The Participant may elect one or more successive post retirement deferral periods of up to five years each, and may change the manner in which a deferred amount will be paid and/or the date such payments are to commence by written election made prior to the Year in which such payments are to commence.

4.3 Manner of Payment Election. At the same time as the election made pursuant to Section 4.1, the Participant also may elect to have a deferred amount paid either in a lump

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sum or in a specified number of approximately equal annual installments, not to exceed ten.

4.4 Modification. A Participant may change the manner in which a deferred amount will be paid and/or the date such payments are to commence by written election made prior to the Year in which such payments are to commence.

Section 5. Deferred Compensation Account

5.1 Participant Accounts. The Corporation shall establish and maintain individual bookkeeping accounts in respect of deferrals made by a Participant consisting of a "Cash Account" and a "Share Account." A Participant shall have separate Cash Accounts and Share Accounts for deferred amounts with different deferral periods under Section 4.2 hereof and/or manners of payment under Section 4.3 hereof. A Participant's Cash Account shall be credited with the dollar amount of any amount deferred as of the date the amount deferred otherwise would have become due and payable unless prior to such date the Participant notifies the Corporation in writing that all or any portion of the dollar amount deferred shall be converted into deferred shares of Common Stock to be credited to the Participant's Share Account. In such event (i) there shall be credited to the Participant's Share Account as of such date a number of units ("Share Units") equal to the dollar amount of any amount deferred or if less the dollar amount specified in such notice divided by the Fair Market Value on the last trading business day immediately preceding the date the amount deferred otherwise would have become due and payable and (ii) the Participant's Cash Account shall be credited as of such date with the balance of the dollar amount deferred, if any.

5.2 Growth Increments. The Corporation will provide the opportunity for Growth Increments to be earned on the balance of a Participant's Cash Accounts. The Committee will have the authority to select, from time to time, the appropriate

interest rate to apply to such amounts. Each Cash Account shall be credited on the first day of each month with a Growth Increment computed on the daily balance in the Cash Account during the immediately preceding month. The Growth Increment shall be the sum of the daily interest earned, compounded monthly by the interest rate selected by the Committee.

5.3 Share Accounts.

- (a) Subject to applicable corporate policies, from time to time a Participant may convert all or a portion of any Cash Account balance of the Participant into deferred shares of Common Stock credited to the Participant's corresponding Share Account by written notice to the Corporation. In such event, and effective as of the date the Corporation receives such a notice, (i) there shall be credited to the Participant's Share Account a number of units Share Units equal to the number of Share Units specified in the notice or, if such notice specifies a dollar amount, a number of Share Units equal to such dollar amount divided by the Fair Market Value on the last trading business day immediately preceding the date the Corporation receives such notice and (ii) the Participant's Cash Account shall be debited in an amount equal to the number of Share Units credited to the Share Account multiplied by the Fair Market Value on the same trading business day.

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- (b) Subject to the authority of the Committee, the Corporation's Chief Executive Officer may approve the terms of any agreements between the Corporation and any Participant relating to the deferral of Other Compensation where, but for the Participant's deferral, the Participant would have received shares of Common Stock if such officer determines that such terms are appropriate to carry out the purposes of this Plan and the award of Other Compensation. Without limitation, the Corporation may enter into an agreement with a Participant relating to such a deferral under which (i) (A) there shall be credited to the Participant's Share Account a number of Share Units equal to the number of shares of Common Stock the receipt of which the Participant has deferred which credit shall be made as of the date the Other Compensation deferred otherwise would have become due and payable or (B) Share Units shall be credited to the Participant's Share Account only at a future date, such as the date that one or more conditions to vesting have been satisfied; (ii) a credit of Share Units may be made subject to such restrictions as are imposed under the terms of the award of Other Compensation (or restrictions substantially equivalent to those to which shares of Common Stock would have been subject but for the deferral), including without limitation forfeiture under certain circumstances and restrictions on the Participant's rights to convert such Share Units pursuant to Section 5.3(d); and (iii) if the terms of the award of Other Compensation require a Participant to deliver cash and/or shares of Common Stock to the Corporation to exercise or otherwise receive the benefit of such Other Compensation, then in lieu of delivering such cash and/or Common Stock, there may be a debit to the Participant's Cash Account in an amount equal to the amount of cash that the Participant otherwise would have delivered and/or a debit to the Participant's Share Account in an amount equal to the number of shares of Common Stock that the Participant otherwise would have delivered, in each case to the extent of any credit balance in such account.
- (c) Whenever cash dividends are paid by the Corporation on outstanding Common Stock, as of the payment date for the dividend, at the election of a Participant (i) there shall be credited to a Participant's Cash Account an amount equal to the amount per share of the cash dividend on the Common Stock multiplied by the number of Share Units reflected in the Participant's Share Account, if any, as of the close of business on the record date for the dividend or (ii) there shall be credited to a Participant's Share Account additional Share Units equal to the cash

amount described in clause (i) divided by the Fair Market Value of the Common Stock on the last trading business day immediately preceding the date of payment of the dividend. Absent an express election by a Participant, clause (i) shall apply. A Participant shall be entitled to elect treatment under clause (i) as to some Share Units reflected in the Participant's Share Account and treatment under clause (ii) as to other Share Units reflected in the Participant's Share Account.

- (d) Subject to applicable corporate policies, from time to time a Participant with a credit balance in a Share Account may convert all or a portion of such balance into an amount to be credited to the Participant's corresponding Cash Account by giving written notice to the Corporation. In such event, and effective as of the date the Corporation receives such a notice, (i) there shall be credited to the Participant's Cash Account an amount equal to the number of Share Units specified in the notice multiplied by the Fair Market Value on

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the last trading business day immediately preceding the date the Corporation receives such notice and (ii) the Participant's Share Account shall be debited by the number of Share Units specified in the notice.

5.4 Charges Against Accounts. There shall be charged against a Participant's Cash Account any cash payments (excluding payments for fractional shares) made to the Participant or to his beneficiary in accordance with Section 6 hereof. There shall be charged against a Participant's Share Account any distributions made to the Participant or to his beneficiary in respect of the Participant's Share Account in accordance with Section 6 hereof.

Section 6. Payment of Deferred Amounts

6.1 Payment of Deferred Amounts.

- (a) Payment of a Participant's Cash Account balance, including accumulated Growth Increments attributable thereto and dividend credits under Section 5.3(b), shall be paid in cash commencing within thirty calendar days after the commencement date referred to in Section 4.2 hereof. The payments shall be made in the manner selected by the Participant under Section 4.3 of this Plan or, in the absence thereof, in a lump sum. The amount of each payment shall be equal to a Participant's then distributable Cash Account balance multiplied by a fraction, the numerator of which is one and the denominator of which is the number of installment payments remaining.
- (b) Payment of a Participant's Share Account balance shall be paid commencing within thirty calendar days after the commencement date referred to in Section 4.2 hereof. Payments in respect of a Share Account balance shall be made by converting Share Units into Common Stock on a one-for-one basis, with payment of fractional shares to be made in cash based upon the Fair Market Value on the last trading business day immediately preceding the date of payment; provided, however, that at the election of a Participant, made by written notice to the Corporation delivered not less than five business days before a payment due date, payments in respect of a Share Account may be made solely in cash in an amount equal to the number of Share Units then payable multiplied by the Fair Market Value on the last trading business day immediately preceding the date of payment. The payments shall be made in the manner selected by the Participant under Section 4.3 of this Plan or, in the absence thereof, in a lump sum. The number of Share Units payable at the time of a payment shall be equal to a Participant's then distributable Share Account balance multiplied by a fraction, the numerator of which is one and the denominator of which is the number of installment payments remaining.

6.2 Acceleration of Payments. If a Participant dies prior to the payment of all or a portion of his Cash Account and/or Share Account balances, the balance of any amounts payable shall be paid in a lump sum to the beneficiaries designated under Section 7 hereof. In addition, if a Participant's Cash Account balance is less than \$5,000 at the time for the payment specified, such amount shall be paid to the Participant in a lump sum, and if a Participant's Share Account balance is less than 300 Share Units at the time for the payment specified, such amount shall be paid to the Participant in a lump sum.

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6.3 Financial Emergency. The Committee, at its sole discretion, may alter the timing or manner of payment of deferred amounts in the event that the Participant establishes, to the satisfaction of the Committee, severe financial hardship. In such event, the Committee may:

- (a) provide that all, or a portion of, the amount previously deferred by the Participant immediately shall be paid in a lump sum payment,
- (b) provide that all, or a portion of, the installments payable over a period of time immediately shall be paid in a lump sum, or
- (c) provide for such other installment payment schedules as it deems appropriate under the circumstances, as long as the amount distributed shall not be in excess of that amount which is necessary for the Participant to meet the financial hardship.

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

Section 7. Beneficiary Designation

7.1 Designation of Beneficiary. A Participant shall designate a beneficiary or beneficiaries who, upon the Participant's death, are to receive the amounts that otherwise would have been paid to the Participant. All designations shall be in writing to the Corporation in such form as it requires or accepts and signed by the Participant. The designation shall be effective only if and when delivered to the Corporation during the lifetime of the Participant. The Participant also may change his beneficiary or beneficiaries by a signed, written instrument delivered to the Corporation. However, if a married Participant maintains his primary residence in a state that has community property laws, the Participant's spouse shall join in any designation of a beneficiary or beneficiaries other than the spouse. The payment of amounts shall be in accordance with the last unrevoked written designation of beneficiary that has been signed and delivered to the Corporation.

7.2 Death of Beneficiary. In the event that all of the beneficiaries named in Section 7.1 predecease the Participant, the amounts that otherwise would have been paid to the Participant shall be paid to the Participant's estate, and in such event, the term "beneficiary" shall include his estate.

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

Section 8. Rights of Participants

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

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

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

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

Section 9.

9.1 Nontransferability. In no event shall the Corporation make any payment under this Plan to any assignee or creditor of a Participant or a beneficiary. Prior to the time of a payment hereunder, a Participant or a beneficiary shall have no rights by way of anticipation or otherwise to assign or otherwise dispose of any interest under this Plan nor shall such rights be assigned or transferred by operation of law.

Section 10. Administration

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

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

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

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

Section 11. Amendment and Termination

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

- (i) The Corporation enters into an agreement, the consummation of which would result in the occurrence of a Change of Control;
- (ii) The Corporation or any other Person publicly announces an intention to take or consider taking actions that, if consummated, would constitute a Change of Control;
- (iii) Any Person becomes the beneficial owner, as defined in Rule 13d-3 under the Securities Exchange Act of 1934, as amended (the "Beneficial Owner"), directly or indirectly, of securities of the Corporation representing 15% or more of either the then outstanding shares of Common Stock or the combined voting power of the Corporation's then outstanding voting securities; or
- (iv) The Board adopts a resolution to the effect that, for purposes of this Plan, a Potential Change of Control has occurred.

Section 12. Applicable Law

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

Section 13. Withholding of Taxes

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

last trading business day immediately preceding the date such shares would otherwise be transferred hereunder.

Section 14. Notice

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

Section 15. Common Stock Matters

15.1 Stock Reserved for the Plan. The number of shares of Common Stock authorized for issuance under the Plan is 75,000 (after giving effect to the 3-for-2 stock split declared June 28, 1996), subject to adjustment pursuant to Section 15.3 hereof. Shares of Common Stock delivered hereunder shall be previously issued shares reacquired and held by the Corporation.

15.2 General Restrictions.

- (a) Investment Representations. The Corporation may require any Participant, as a condition of receiving Common Stock, to give written assurances in substance and form satisfactory to the Corporation and its counsel to

the effect that such person is acquiring the Common Stock for his own account for investment and not with any present intention of selling or otherwise distributing the same, and to such other effects as the Corporation deems necessary or appropriate in order to comply with federal and applicable state securities laws.

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

15.3 Effect of Certain Changes in Capitalization. If there is any change in the number or class of shares of Common Stock through the declaration of stock dividends, or recapitalization resulting in stock splits, or combinations or exchanges of such shares or similar corporate transactions, the maximum number or class of shares available under the Plan, the number or class of shares of Common Stock to be delivered hereunder and the number of Share Units in each Participant's Share Account shall be proportionately adjusted by the Committee to reflect any such change in the number or class of issued shares of Common Stock.

Section 16. Change of Control

16.1 Change of Control. A "Change of Control" of the Company shall be deemed to have occurred if:

- (1) any "Person" (as such term is defined in Section 3(a)(9) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as modified and used in Sections 13(d) and 14(d) thereof, except that for purposes of this section 16.1(1) and subsection 16.1(3), the term "Person" shall not include (i) the Company or any of its subsidiaries, (ii) a trustee or other fiduciary holding securities under an employee benefit plan of the Company or any of its subsidiaries, (iii) an underwriter temporarily holding securities pursuant to an offering of such securities, or (iv) a corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock in the Company) is or becomes the "Beneficial Owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company (not including in the securities beneficially owned by such Person any securities acquired directly from the Company or its affiliates) representing 25% or more of either the then outstanding shares of common stock of the Company or the combined voting power of the Company's then outstanding voting securities; or
- (2) the following individuals cease for any reason to constitute a majority of the number of directors then serving: individuals who, on January 1, 1996, constitute the Board and any new director (other than a director whose initial assumption of office is in connection with an actual or threatened election contest, including but not limited to a consent solicitation, relating to the election of directors of the Company, as such terms are used in Rule 14a-11 of Regulation 14A under the

Exchange Act) whose appointment or election by the Board or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors on January 1, 1996 or whose appointment, election or nomination for election was previously so approved; or

- (3) the stockholders of the Company approve a merger or consolidation of the Company with any other corporation or approve the issuance of voting securities of the Company in connection with a merger or consolidation of the Company (or any direct or indirect subsidiary of the Company) pursuant to applicable stock exchange requirements, other than (i) a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior to such merger or consolidation continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or any parent thereof) at least 60% of the combined voting power of the voting securities of the Company or such surviving entity or any parent thereof outstanding immediately after such merger or consolidation, or (ii) a merger or consolidation effected to implement a recapitalization of the Company (or similar transaction) in

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which no Person is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company (not including in the securities beneficially owned by such Person any securities acquired directly from the Company or its affiliates) representing 25% or more of either the then outstanding shares of common stock of the Company or the combined voting power of the Company's then outstanding voting securities; or

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

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

16.2 Payments. Upon the occurrence of a Change of Control, and notwithstanding Section 6,

- (a) payment of a Participant's Cash Account balance shall be paid immediately in cash in a lump sum; and
- (a) payment of a Participant's Share Account balance shall be paid immediately in cash in a lump sum in an amount equal to the number of Share Units in the Share Account multiplied by the Fair Market Value.

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

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17.2 Payment. Upon the occurrence of a Rating Event, and notwithstanding Section 6:

(a) a Participant's Cash Account balance shall be paid immediately in cash in a lump sum; and

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

(c) In addition to payment of the Participant's Cash Account balance as described above, the Corporation shall pay the Participant an amount equal to the interest that would have been earned on the Accelerated Tax Amount from the date of the Rating Event to the date payment of the deferred amounts were then scheduled to commence, calculated at the interest rate determined under Section 5.2 hereof, compounded monthly, which interest amount shall then be discounted to the date of payment at a discount rate equal to the rate determined under Section 5.2. The Accelerated Tax Amount means the Participant's Cash Account balance multiplied by the Assumed Tax Rate. The Assumed Tax Rate means a percentage which reflects the highest stated federal and state income tax rates imposed on residents of Wisconsin after giving effect to the deductibility of state income taxes.

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

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SNAP-ON INCORPORATED
SUPPLEMENTAL RETIREMENT PLAN FOR OFFICERS
(As Amended October 22, 1999)

SECTION 1 -- INTRODUCTION

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

1.2 Effective Date. The "effective date" of the Plan as set forth below is August 26, 1983.

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

1.4 Purpose. The Plan has been established to supplement retirement benefits provided by the Snap-on Tools Retirement Plan for Administrative and Field Employees (the "Administrative and Field Plan") in the event that benefits provided under the Administrative and Field Plan are limited by the benefit restrictions imposed under ERISA and/or limited due to participation in Snap-on Tools Corporation Deferred Compensation Plan.

SECTION 2 -- PARTICIPATION AND SUPPLEMENTAL BENEFITS

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

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

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(b) Such employee is a member of the Administrative and Field Plan (1/28/94, effective 4/22/94).

2.2 Supplemental Benefits. Supplemental benefits payable to or on behalf of a participant under the Plan shall be equal to the difference (if any) between (i) the full amount of the retirement income or pre-retirement spouse's benefit computed for the participant or his surviving spouse under the Administrative and Field Plan benefit formula (disregarding any benefit or compensation limitations contained in ERISA and/or limited due to participation in Snap-on Tools Corporation Deferred Compensation Plan) (6/28/91), and (ii) the amount of retirement income or pre-retirement spouse's benefit which is actually payable

under the Administrative and Field Plan, subject to the following limitations:

(a) Should employment continue after service as an officer terminates, retirement benefits under this Plan will not accrue after the calendar year in which service as an officer terminates (4/26/85).

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

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

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

(e) For purposes of calculating the supplemental benefits under (i) above for Robert A. Cornog, two (2) years of credited service shall be credited for each year of his credited service under the Administrative and Field Plan for both accrual and vesting purposes (6/25/92).

2.3 Payment of Benefits. Subject to the provisions of this Plan, supplemental benefits shall be payable to or on behalf of a participant as follows;

(a) Normal Form. Supplemental benefits to a participant who retires on a normal, deferred or early retirement date will be made monthly, will commence on his retirement date and continue thereafter for life and, if the participant dies within a period of five years after his retirement date, a continuing payment of the same amount will be made to his eligible spouse (as defined in Subsection 5.2) if then surviving spouse or such eligible spouse is not living or dies prior to the expiration of such five-year period, to his beneficiary for the balance of said period.

(b) Payments to Surviving Spouse. If, at the later to occur of the death of a retired participant or the completion of the applicable five-year period specified

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in Paragraph (a) above, such participant's eligible spouse (as defined in Subsection 5.2) is living, such spouse shall be entitled to receive a monthly supplemental benefit on the first day of the next month, equal to 50 percent of the monthly supplemental benefit which the participant or such eligible spouse was receiving under Paragraph (a). Such spouse's monthly benefit will be paid on the first day of each month thereafter with the last payment being the payment due on the first day of the month in which such spouse's death occurs. If such spouse is more than ten years younger than the participant, the amount of monthly benefit payable to such spouse shall be reduced by an appropriate percentage (determined actuarially) for each full month by which such spouse's age is more than ten years less than the participant's age.

(c) Retirement Date. For purposes of this subsection, a participant's "retirement date" will be the first day of the month coincident with or next following the date as of which a participant actually retires or is retired from the employ of all of the employers (i) on or after attaining age 65 years, (ii) on or after attaining age 50 years if he has completed ten or more years of continuous employment under the Administrative and Field

Plan or (iii) on the date he is retired because of total and permanent disability if he has completed ten or more years of continuous employment under the Administrative and Field Plan.

(d) Pre-retirement Spouse's Benefit. In the event a participant who has a spouse to whom he is legally married at the time he satisfied the requirements of Paragraph 2.3(c)(ii) above dies leaving an eligible spouse, there shall be payable to such participant's eligible spouse the supplemental amount that would have been payable to his spouse under Paragraph (b) above had the participant retired on the first day of the month coincident with or next following the month in which his death occurred and had received payment commencing on such date in the form described in Paragraphs (a) and (b) above. Such monthly spouse's benefit will be paid to such spouse on the first day of the month coincident with or next following the date of the participant's death and will be payable on the first day of each month thereafter, with the final payment being the payment due on the first day of the month in this such spouse's death occurs.

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

Notwithstanding the provisions of subparagraphs 2.3(b) and 2.3(d), if the amount payable to the surviving spouse of Robert Cornog in the form of payment specified therein is less than \$50,000 per year, the minimum amount payable to such spouse pursuant to each of such subparagraphs on an annual basis shall be \$50,000 (6/25/92).

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

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SECTION 3 -- OTHER EMPLOYMENT

A participant or other person receiving supplemental benefits under the Plan will continue to be entitled to receive such payments regardless of other employment or self-employment.

SECTION 4 -- FORFEITURE FOR CAUSE

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

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

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

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

SECTION 5 -- GENERAL

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

5.2 Spouse or Beneficiary. Any benefits payable to an eligible spouse or beneficiary under the Plan shall be paid to such spouse or beneficiary eligible to receive the participant's benefits under the Administrative and Field Plan as provided in Subsection 2.3 or, if no such beneficiary has been designated, to the participant's estate. For purposes of this Plan, an "eligible spouse" of a participant is a spouse of the participant as of the participant's retirement date (or, if applicable, the participant's date of death) resulting from a legally recognized marriage (6/23/89).

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

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5.4 Facility of Payment. Any amounts payable hereunder to any person under legal disability or who, in the judgment of the Corporation, is unable to properly manage his financial affairs may be paid to the legal representative of such person (6/23/89).

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

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

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

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

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

SECTION 6 -- AMENDMENT AND TERMINATION

While the employer expects to continue the Plan indefinitely, the right to amend or terminate the Plan by action of the Board of Directors of the Corporation is hereby reserved, provided that in no event shall any participant's supplemental benefits accrued to the date of such amendment or termination be reduced or modified by such action. Any supplemental benefits accrued to the date of such amendment or termination shall be payable under Subsection 2.3 (8/28/87)

(6/23/89).

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

7.1 Effective Date and Overriding Provisions. The following provisions of this Section 7 shall become effective on a "restricted date" (as defined in subsection 7.6 below) and, upon becoming effective, shall remain effective until the following related unrestricted date and, during that period, shall supersede any other provisions of the Plan to the extent necessary to

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eliminate any inconsistencies between the provisions of this Section 7 and any other provisions of the Plan, including any exhibits and supplements thereto.

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

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

7.4 Prohibition Against Amendment. Except as otherwise required by law, the provisions of this Section 7 may not be amended, deleted or superseded by any other provision of the Plan, during the period beginning on a restricted date and ending on the related unrestricted date.

7.5 Timing and Method of Distribution. During the period beginning on a restricted date and ending on the following related unrestricted date, the timing and methods of distributions of benefits payable to or on behalf of a participant under the Plan and the determination of actuarially equivalent values shall be governed by the applicable provisions of the Plan as in effect on the date immediately preceding the restricted date.

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

7.7 Change of Control. A "Change of Control" of the Corporation shall be deemed to have occurred if:

- (1) any "Person" (as such term is defined in Section 3(a)(9) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as modified and used in Sections 13(d) and 14(d) thereof, except that for purposes of this Section 7.7 and Section 7.8, the term "Person" shall not include (i) the Corporation or any of its subsidiaries, (ii) a trustee or other fiduciary holding securities under an employee benefit plan of the Corporation or any of its subsidiaries, (iii) an underwriter temporarily holding securities pursuant to an offering of such securities, or (iv) a

corporation owned, directly or indirectly, by the stockholders

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of the Corporation in substantially the same proportions as their ownership of stock in the Corporation) is or becomes the "Beneficial Owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Corporation (not including in the securities beneficially owned by such Person any securities acquired directly from the Corporation or its affiliates) representing 25% or more of either the then outstanding shares of common stock of the Corporation or the combined voting power of the Corporation's then outstanding voting securities; or

(2) the following individuals cease for any reason to constitute a majority of the number of directors then serving: individuals who, on January 1, 1996, constitute the Board and any new director (other than a director whose initial assumption of office is in connection with an actual or threatened election contest, including but not limited to a consent solicitation, relating to the election of directors of the Corporation, as such terms are used in Rule 14a-11 of Regulation 14A under the Exchange Act) whose appointment or election by the Board or nomination for election by the Corporation's stockholders was approved by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors on January 1, 1996 or whose appointment, election or nomination for election was previously so approved; or

(3) the stockholders of the Corporation approve a merger or consolidation of the Corporation with any other corporation or approve the issuance of voting securities of the Corporation in connection with a merger or consolidation of the Corporation (or any direct or indirect subsidiary of the Corporation) pursuant to applicable stock exchange requirements, other than (i) a merger or consolidation which would result in the voting securities of the Corporation outstanding immediately prior to such merger or consolidation continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or any parent thereof) at least 60% of the combined voting power of the voting securities of the Corporation or such surviving entity or any parent thereof outstanding immediately after such merger or consolidation, or (ii) a merger or consolidation effected to implement a recapitalization of the Corporation (or similar transaction) in which no Person is or becomes the Beneficial Owner, directly or indirectly, of securities of the Corporation (not including in the securities beneficially owned by such Person any securities acquired directly from the Corporation or its affiliates) representing 25% or more of either the then outstanding shares of common stock of the Corporation or the combined voting power of the Corporation's then outstanding voting securities; or

(4) the stockholders of the Corporation approve a plan of complete liquidation or dissolution of the Corporation or an agreement for the sale or disposition by the Corporation of all or

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substantially all of the Corporation's assets (in one transaction or a series of related transactions within any

period of 24 consecutive months), other than a sale or disposition by the Corporation of all or substantially all of the Corporation's assets to an entity, at least 75% of the combined voting power of the voting securities of which are owned by Persons in substantially the same proportions as their ownership of the Corporation immediately prior to such sale.

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

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

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

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

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

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

SECTION 8 - PAYMENT OF BENEFITS DURING CREDIT RATING LIMITATION PERIOD

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

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8.2 Credit Rating Limitation and Delimitation Dates. For purposes of this Section 8, the term "Credit Rating Limitation Date" means the date on which the Corporation's debt rating drops below an Investment Grade Rating. "Investment Grade Rating" means a rating at or above Baa3 by Moody's Investors Services, Inc. (or its successors) or a rating at or above BBB by Standard & Poor's Corporation (or its successors). Only one such rating at the required level is necessary for the Corporation to have an Investment Grade Rating for purposes of this Section 8. If either or both of these ratings cease to be available then an equivalent rating from a nationally prominent rating agency shall be substituted by the Corporation. For purposes of this Section 8, the term "Credit Rating Delimitation Date" means the date on which the Company's debt rating achieves an Investment Grade Rating after having previously lost such rating. The period of time commencing on a Credit Rating Limitation Date and ending on a Credit Rating Delimitation Date shall be the "Credit Rating Limitation Period."

8.3 Benefit Payment Provisions. Upon the occurrence of a Credit Rating

Limitation Date and on each December 31 after such date occurring during the Credit Rating Limitation Period, and prior to the occurrence of a Credit Rating Delimitation Date, a single sum payment shall be made immediately to each participant under the Plan of the amount by which the "Actuarial Equivalent" (as defined in Section 8.4 below) of (a) exceeds the sum of (b) plus (c):

- (a) The amount determined in Section 2.2(i) (as limited by all of Section 2.2) based upon the assumption that (1) the participant has a nonforfeitable right to the participant's benefit from the Pension Plan, (2) the participant incurs a termination of employment as of the date of determination, and (3) benefits payable from the Pension Plan would commence upon the earliest payment date allowed under the Pension Plan immediately following such termination of employment.
- (b) The Actuarial Equivalent of the amount determined in Section 2.2(ii) (as limited by all of Section 2.2) based upon the same assumptions as in Paragraph (a) above.
- (c) The Actuarial Equivalent of the amount paid to such participant based on any prior determination date pursuant to this Section 8.3.

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

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

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

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SNAP-ON INCORPORATED

DEFERRED AWARD AGREEMENT

THIS AGREEMENT ("Agreement") is made and entered into as of March 1, 1999 by and between SNAP-ON INCORPORATED, a Delaware corporation (the "Company"), and _____, an employee of the Company (the "Key Employee").

W I T N E S S E T H :

WHEREAS, on January 21, 1999, the Organization and Executive Compensation Committee of the Board of Directors of the Company (such committee, whether acting as such or through the ad hoc committee of the Board to which such committee delegated its authority in connection with this Agreement, the "Committee") approved the grant (the "Grant") to the Key Employee of _____ (the "Grant Number") shares of the Company's common stock ("Common Stock") pursuant to the Company's 1986 Incentive Stock Program, as amended (the "Stock Program"), to be effective March 1, 1999; and

WHEREAS, in accordance with the terms of the Grant, the Key Employee elected to defer receipt of all of the shares subject to the Grant by executing an Election to Defer Compensation (the "Deferral Election") prior to the Grant's effective date, which the Company countersigned prior to such date;

WHEREAS, the Deferral Election provides that the Grant will also be subject to the terms of a "Deferred Award Agreement," the form of which is to be determined by the Company, and this Agreement is intended to serve as the additional agreement contemplated by the Deferral Election; and

WHEREAS, the Company has in effect the Snap-on Incorporated Deferred Compensation Plan, as amended (the "Deferral Plan").

NOW, THEREFORE, in consideration of the premises and of the covenants and agreements herein set forth, the parties hereby mutually covenant and agree as follows:

1. Share Units. Subject to the terms and conditions set forth herein,

(a) As of March 1, 1999, the Company shall establish and maintain bookkeeping accounts for the Key Employee relating to the Grant under the Deferral Plan consisting of a "Cash Account" and a "Share Account."

(b) As of March 1, 1999, there shall be credited to the Share Account a number of Share Units (as defined in the Deferral Plan) equal to the Grant Number. From and after the time of such credit, the Key Employee shall have the rights afforded under the Deferral Plan in respect of Share Units so credited, except that such Share Units shall be subject to vesting and forfeiture as set forth below.

2. Vesting and Forfeiture Based on Performance. Subject to the terms and conditions set forth herein,

(a) Unless the Key Employee has previously forfeited such Share Units, one-half of the Share Units credited under subsection 1(b) (the "1999 Units") will vest upon the Committee's determination that the Company achieved its target cost savings from Project Simplify of \$30 million in fiscal 1999. Conversely, upon the Committee's determination that the Company did not achieve that target, the Key Employee will forfeit this half of the Grant.

(b) Unless the Key Employee has previously forfeited such Share Units, one-half of the Share Units credited under subsection 1(b) (the "2000 Units") will vest upon the Committee's determination that the Company achieved its target cost savings from Project Simplify of \$60 million in fiscal 2000.

Conversely, upon the Committee's determination that the Company did not achieve that target, the Key Employee will forfeit this half of the Grant.

(c) The accounting charge related to this Grant and other similar grants that the Committee approved at the time of this Grant will not be a "cost" that will be part of the cost savings calculation as an offset against cost savings otherwise realized.

(d) On the basis of information available to the Committee concerning the level of cost savings the Company has achieved, the Committee will confirm whether the cost savings targets have been reached promptly after such information is available and communicate its determination to the Key Employee.

3. Forfeiture Based on Employment Status. Subject to the terms and conditions set forth herein,

(a) In addition to any rights of the Company under Section 9, the Key Employee will forfeit any Share Units credited under subsection 1(b) as to which the Committee has not made its vesting determination under Section 2 ("Unvested Units") if the Key Employee's employment with the Company or its subsidiaries is terminated for any reason prior to such determination unless the Committee determines, on such terms and conditions, if any, as the Committee may impose, that there may nonetheless be vesting of all or a portion of the Award at the time of such determination or at any other time. Absence of the Key Employee on leave approved by a duly elected officer of the Company, other than the Key Employee, shall not be considered a termination of employment during the period of such leave.

(b) Notwithstanding the foregoing, in the case of termination of employment as a result of death or Total Disability (as defined below), (i) the Grant shall vest or be forfeited in respect of the 1999 Units in accordance with Section 2(a) as if employment continued if the death or disability occurs in 1999 or in 2000 prior to the Committee's determination under Section 2(a) and (ii) the Grant shall vest or be forfeited in respect of the 2000 Units in accordance with Section 2(b) as if employment continued if the death or disability occurs in 2000 or in 2001 prior to the Committee's determination under Section 2(b).

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(c) As used herein, "Total Disability" means the complete and permanent inability of the Key Employee to perform all of his duties under the terms of his employment with the Company, as determined by the Committee or any successor to such committee that administers the Stock Program (as the same may be amended), or if no such committee has been appointed, by the Board of Directors of the Company (such body, the "Determining Committee") upon the basis of such evidence, including independent medical reports and data, as the Determining Committee deems appropriate or necessary.

4. Dividends. Dividends on the Common Stock will result in a credit to the Cash Account pursuant to Section 5.3(c) of the Deferral Plan. However, the Key Employee will forfeit such credit and any related Growth Increments (as defined in the Deferral Plan) upon any forfeiture of the related Share Units.

5. No Diversification. Notwithstanding Section 5.3(a) and Section 5.3(d) of the Deferral Plan, (a) the Key Employee shall not have any right under Section 5.3(d) of the Deferral Plan to convert all or a portion of any Unvested Units into an amount to be credited to the Cash Account and (b) the Key Employee shall not have any right under Section 5.3(a) of the Deferral Plan to convert all or a portion of any amount credited to the Cash Account in respect of Unvested Units into an amount to be credited to the Share Account.

6. Deferral Period.

(a) The deferral period with respect to the Grant for purposes of Section 4.2 of the Deferral Plan shall extend until the date set forth on the signature page hereto.

(b) Notwithstanding the deferral period specified, but subject to Section 11 and to any election that the Key Employee makes in accordance with the Deferral Plan, payments shall begin following the earliest to occur of (i) death, (ii) total and permanent disability, (iii) retirement, or (iv) termination of employment.

7. Manner of Payment. Deferred amounts shall be paid in a lump sum or in installments as set forth on the signature page hereto.

8. Changes in Deferral Period and Manner of Payment. The Key Employee may change the manner in which the deferred amount will be paid and/or delay the date such payments are to commence by written election made in accordance with the Deferral Plan.

9. Detrimental Activity.

(a) Activity During Employment. If, prior to termination of the Key Employee's employment with the Company or during the one-year period following termination of the Key Employee's employment with the Company, the Company becomes aware that, prior to termination, the Key Employee had engaged in detrimental activity, then the Committee in its sole discretion, for purposes of this Agreement, may characterize or recharacterize termination of the Key Employee's employment as a termination to which this Section 9 applies and may determine or redetermine the date of such termination, and the Key

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Employee's rights with respect to the Grant shall be determined in accordance with the Committee's determination.

(b) Activity Following Termination. If, within the three-month period following the Key Employee's termination of employment with the Company, the Company becomes aware that the Key Employee has engaged in detrimental activity subsequent to termination, then the Key Employee's rights with respect to the Grant shall be determined in accordance with any determination by the Committee under this Section 9.

(c) Remedies. If the Key Employee has engaged in detrimental activity as described in subsections (a) and (b), then the Committee may, in its discretion, cancel any (or all) amounts credited to the Key Employee's Share Account and/or Cash Account in respect of the Grant and/or cause the Key Employee to return any cash or property actually realized by the Key Employee (directly or indirectly) in respect of the Grant, in each case whether or not the Committee has made a vesting determination under Section 2 in respect thereof before or after the date the Key Employee engaged in the detrimental activity or before or after the date of termination as determined or redetermined under subsection (a).

(d) Allegations of Activity. If an allegation of detrimental activity by the Key Employee is made to the Committee, then the Committee may suspend the Key Employee's rights in respect of the Grant to permit the investigation of such allegation.

(e) Definition of "Detrimental Activity". For purposes of this Agreement, "detrimental activity" means activity that is determined by the Committee in its sole discretion to be detrimental to the interests of the Company or any of its subsidiaries, including but not limited to situations where the Key Employee (i) divulges trade secrets of the Company, proprietary data or other confidential information relating to the Company or to the business of the Company or any subsidiaries, (ii) enters into employment with a competitor under circumstances suggesting that the Key Employee will be using unique or special knowledge gained as an employee of the Company to compete with

the Company, (iii) uses information obtained during the course of his prior employment with the Company for his own purposes, such as for the solicitation of business and competition with the Company, (iv) is determined to have engaged (whether or not prior to termination due to retirement) in either gross misconduct or criminal activity harmful to the Company, or (v) takes any action that harms the business interests, reputation or goodwill of the Company and/or its subsidiaries.

10. Beneficiary. The person whose name appears on the signature page hereof after the caption "Beneficiary," if any, shall be the beneficiary of the Key Employee designated pursuant to Section 7 of the Deferral Plan.

11. Change in Control. In the event of a "Change of Control" (as defined in the Deferral Plan), any Unvested Units shall immediately vest, unless the Key Employee has previously forfeited such Share Units, and the Key Employee shall be entitled to payments in respect thereof in accordance with Section 16.2 of the Deferral Plan and/or applicable provisions of the Stock Program.

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12. Voting Rights. Until such time, if any, as certificates representing shares of Common Stock are delivered to the Key Employee in accordance with the Deferral Plan, the Key Employee shall have no voting rights in respect of the Grant or Share Units.

13. Tax Withholding. The Company and the Key Employee shall have rights with respect to tax withholding as set forth in Section 13 of the Deferral Plan. Without limitation, the Company shall be entitled to withhold any taxes due and payable in accordance with Section 3121(v) of the Internal Revenue Code from any payments due to the Key Employee.

14. Adjustments in Event of Change in Stock. In the event of any reclassification, subdivision or combination of shares of Common Stock, merger or consolidation of the Company or sale by the Company of all or a portion of its assets, or other event which could, in the judgment of the Committee, distort the implementation of the Grant or the realization of its objectives, the Committee may make such adjustments in the number of Share Units under this Agreement, or in the terms, conditions or restrictions of this Agreement, as the Committee deems equitable; provided that in the absence of express action by the Committee, adjustments that apply generally to Share Units credited under the Deferral Plan shall apply automatically to the number of Share Units under this Agreement.

15. Powers of Company Not Affected. The existence of the Grant shall not affect in any way the right or power of the Company or its stockholders to make or authorize any combination, subdivision or reclassification of the Common Stock or any reorganization, merger, consolidation, business combination, exchange of shares, or other change in the Company's capital structure or its business, or any issue of bonds, debentures or stock having rights or preferences equal, superior or affecting the Common Stock or the rights thereof, or dissolution or liquidation of the Company, or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding, whether of a similar character or otherwise. Nothing in this Agreement shall confer upon the Key Employee any right to continue in the employment of the Company or interfere with or limit in any way the right of the Company to terminate the Key Employee's employment at any time.

16. Interpretation by Committee. The Key Employee agrees that any dispute or disagreement that may arise in connection with this Agreement shall be resolved by the Committee, in its sole discretion, and that any interpretation by the Committee of the terms of this Agreement, the Stock Program or the Deferral Plan and any determination made by the Committee under this Agreement or such plans may be made in the sole discretion of the Committee and shall be final, binding, and conclusive.

17. Miscellaneous.

(a) This Agreement shall be governed and construed in accordance with the laws of the State of Wisconsin applicable to contracts made and to be performed therein between residents thereof.

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(b) This Agreement may not be amended or modified except by the written consent of the parties hereto.

(c) The captions of this Agreement are inserted for convenience of reference only and shall not be taken into account in construing this Agreement.

(d) Any notice, filing or delivery hereunder or with respect to the Grant shall be given to the Key Employee at either his usual work location or his home address as indicated in the records of the Company, and shall be given to the Committee or the Company at 10801 Corporate Drive, Kenosha, Wisconsin 53142, Attention: Secretary. All such notices shall be given by first class mail, postage pre-paid, or by personal delivery.

(e) This Agreement shall be binding upon and inure to the benefit of the Company and its successors and assigns and shall be binding upon and inure to the benefit of the Key Employee, his beneficiary and the personal representative(s) and heirs of the Key Employee.

18. Deferral Matters.

(a) The Key Employee understands that (i) as a result of this Agreement, no restricted stock, cash or other property will be deliverable to the Key Employee in respect of the Grant until the date identified pursuant to Section 6, and (ii) all amounts deferred pursuant to this Agreement shall be reflected in an unfunded account established for the Key Employee by the Company, payment of the Company's obligation will be from general funds, and no special assets (stock, cash or otherwise) have been or will be set aside as security for this obligation.

(b) The Key Employee understands and agrees that the Key Employee's rights to payments hereunder are not subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, or garnishment by the Key Employee's creditors or the creditors of his beneficiaries, whether by operation of law or otherwise, and any attempted sale, transfer, assignment, pledge, or encumbrance with respect to such payment shall be null and void, and shall be without legal effect and shall not be recognized by the Company.

(c) The Key Employee understands and agrees that his right to receive payments hereunder is that of a general, unsecured creditor of the Company, and that this Agreement constitutes a mere promise by the Company to pay such benefits in the future. Further, it is the intention of the parties hereto that the arrangements hereunder be unfunded for tax purposes and for purposes of Title I of ERISA.

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IN WITNESS WHEREOF, the Company has caused this instrument to be executed by its duly authorized officer and its corporate seal hereunto affixed, and the Key Employee has hereunto affixed his hand and seal, all on the day and year set forth below.

SNAP-ON INCORPORATED

By: _____
Title: _____

Key Employee: _____

_____ (Seal)

Beneficiary: _____

Address of Beneficiary: _____

Beneficiary Tax Identification

No. _____

DEFERRAL PLAN MATTERS

DATE PAYMENTS COMMENCE

Specified Date: _____
(Not earlier than 3/1/2004)

FORM OF PAYMENT

_____ Lump sum payment.

_____ Annual installment payments for _____ years (not to exceed 10).

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SNAP-ON INCORPORATED

RESTRICTED STOCK AGREEMENT

THIS AGREEMENT ("Agreement") is made and entered into as of March 1, 1999 by and between SNAP-ON INCORPORATED, a Delaware corporation (the "Company"), and _____, an employee of the Company (the "Key Employee").

W I T N E S S E T H :

WHEREAS, on January 21, 1999, the Organization and Executive Compensation Committee of the Board of Directors of the Company (such committee, whether acting as such or through the ad hoc committee of the Board to which such committee delegated its authority in connection with this Agreement, the "Committee") approved the grant (the "Grant") to the Key Employee of _____ (the "Grant Number") shares of the Company's common stock ("Common Stock") pursuant to the Company's 1986 Incentive Stock Program, as amended (the "Stock Program"), to be effective March 1, 1999; and

WHEREAS, the Grant contemplated that the Grant will also be subject to the terms of an award agreement, the form of which is to be determined by the Company, and this Agreement is intended to serve as the additional agreement contemplated by the Grant.

NOW, THEREFORE, in consideration of the premises and of the covenants and agreements herein set forth, the parties hereby mutually covenant and agree as follows:

1. Restricted Shares. Subject to the terms and conditions set forth herein, as of March 1, 1999, the Company hereby awards to the Key Employee a number of shares of Common Stock (the "Restricted Shares") equal to the Grant Number which shall be subject to vesting and forfeiture as set forth below. Except as otherwise provided herein, no Restricted Share may be sold, transferred or otherwise alienated or hypothecated until such Restricted Share vests as provided herein.

2. Escrow.

(a) The Company shall cause certificates for Restricted Shares to be issued as soon as practicable in the name of the Key Employee, but the Company, as escrow agent, shall hold such shares in escrow. Upon issuance of such certificates, (i) the Company shall give the Key Employee a receipt for the Restricted Shares held in escrow which will state that the Company holds such Restricted Shares in escrow for the account of the Key Employee, subject to the terms of this Agreement, and (ii) the Key Employee shall give the Company a stock power for such Restricted Shares duly endorsed in blank which will be held in escrow for use in the event such Restricted Shares are forfeited in whole or in part.

(b) Unless theretofore forfeited as provided herein, Restricted Shares and any other property held in escrow pursuant to this Agreement shall cease to be held in escrow, and

the Company shall release such certificates for such Restricted Shares, and any related property held in escrow (without interest), to the Key Employee, or in the case of his death, to his Beneficiary (as hereinafter defined) when such Restricted Shares vest as provided herein at which time such shares shall be freely transferable by the Key Employee or his Beneficiary.

(c) Restricted Shares and any other property held in escrow pursuant to this Agreement shall cease to be held in escrow, and the Company may assume possession thereof in its own right, when the Key Employee forfeits such Restricted Shares as provided herein.

3. Vesting and Forfeiture Based on Performance. Subject to the terms and conditions set forth herein,

(a) Unless the Key Employee has previously forfeited such Restricted Shares, one-half of the Restricted Shares (the "1999 Shares") will vest upon the Committee's determination that the Company achieved its target cost savings from Project Simplify of \$30 million in fiscal 1999. Conversely, upon the Committee's determination that the Company did not achieve that target, the Key Employee will forfeit this half of the Grant.

(b) Unless the Key Employee has previously forfeited such Restricted Shares, one-half of the Restricted Shares (the "2000 Shares") will vest upon the Committee's determination that the Company achieved its target cost savings from Project Simplify of \$60 million in fiscal 2000. Conversely, upon the Committee's determination that the Company did not achieve that target, the Key Employee will forfeit this half of the Grant.

(c) The accounting charge related to this Grant and other similar grants that the Committee approved at the time of this Grant will not be a "cost" that will be part of the cost savings calculation as an offset against cost savings otherwise realized.

(d) On the basis of information available to the Committee concerning the level of cost savings the Company has achieved, the Committee will confirm whether the cost savings targets have been reached promptly after such information is available and communicate its determination to the Key

Employee.

4. Forfeiture Based on Employment Status. Subject to the terms and conditions set forth herein,

(a) In addition to any rights of the Company under Section 5, the Key Employee will forfeit any Restricted Shares as to which the Committee has not made its vesting determination under Section 3 ("Unvested Shares") if the Key Employee's employment with the Company or its subsidiaries is terminated for any reason prior to such determination unless the Committee determines, on such terms and conditions, if any, as the Committee may impose, that there may nonetheless be vesting of all or a portion of the Award at the time of such determination or at any other time. Absence of the Key Employee on leave approved by a duly elected officer of the Company, other than the Key Employee, shall not be considered a termination of employment during the period of such leave.

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(b) Notwithstanding the foregoing, in the case of termination of employment as a result of death or Total Disability (as defined below), (i) the Grant shall vest or be forfeited in respect of the 1999 Shares in accordance with Section 3(a) as if employment continued if the death or disability occurs in 1999 or in 2000 prior to the Committee's determination under Section 3(a) and (ii) the Grant shall vest or be forfeited in respect of the 2000 Shares in accordance with Section 3(b) as if employment continued if the death or disability occurs in 2000 or in 2001 prior to the Committee's determination under Section 3(b).

(c) As used herein, "Total Disability" means the complete and permanent inability of the Key Employee to perform all of his duties under the terms of his employment with the Company, as determined by the Committee or any successor to such committee that administers the Stock Program (as the same may be amended), or if no such committee has been appointed, by the Board of Directors of the Company (such body, the "Determining Committee") upon the basis of such evidence, including independent medical reports and data, as the Determining Committee deems appropriate or necessary.

5. Detrimental Activity.

(a) Activity During Employment. If, prior to termination of the Key Employee's employment with the Company or during the one-year period following termination of the Key Employee's employment with the Company, the Company becomes aware that, prior to termination, the Key Employee had engaged in detrimental activity, then the Committee in its sole discretion, for purposes of this Agreement, may characterize or recharacterize termination of the Key Employee's employment as a termination to which this Section 5 applies and may determine or redetermine the date of such termination, and the Key Employee's rights with respect to the Grant shall be determined in accordance with the Committee's determination.

(b) Activity Following Termination. If, within the three-month period following the Key Employee's termination of employment with the Company, the Company becomes aware that the Key Employee has engaged in detrimental activity subsequent to termination, then the Key Employee's rights with respect to the Grant shall be determined in accordance with any determination by the Committee under this Section 5.

(c) Remedies. If the Key Employee has engaged in detrimental activity as described in subsections (a) and (b), then the Committee may, in its discretion, declare that the Key Employee has forfeited the Grant in whole or in part and cause the Company to assume possession of any or all property held in escrow in respect of the Grant in its own right and/or cause the Key Employee to return any cash or property actually realized by the Key Employee (directly or indirectly) in respect of the Grant, in each case whether or not the Committee

has made a vesting determination under Section 3 in respect thereof before or after the date the Key Employee engaged in the detrimental activity or before or after the date of termination as determined or redetermined under subsection (a).

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(d) Allegations of Activity. If an allegation of detrimental activity by the Key Employee is made to the Committee, then the Committee may suspend the Key Employee's rights in respect of the Grant to permit the investigation of such allegation.

(e) Definition of "Detrimental Activity". For purposes of this Agreement, "detrimental activity" means activity that is determined by the Committee in its sole discretion to be detrimental to the interests of the Company or any of its subsidiaries, including but not limited to situations where the Key Employee (i) divulges trade secrets of the Company, proprietary data or other confidential information relating to the Company or to the business of the Company or any subsidiaries, (ii) enters into employment with a competitor under circumstances suggesting that the Key Employee will be using unique or special knowledge gained as an employee of the Company to compete with the Company, (iii) uses information obtained during the course of his prior employment with the Company for his own purposes, such as for the solicitation of business and competition with the Company, (iv) is determined to have engaged (whether or not prior to termination due to retirement) in either gross misconduct or criminal activity harmful to the Company, or (v) takes any action that harms the business interests, reputation or goodwill of the Company and/or its subsidiaries.

6. Change in Control. In the event of a "Change of Control" (as defined in the Stock Program), any Unvested Shares shall immediately vest, unless the Key Employee has previously forfeited such Restricted Shares.

7. Voting Rights; Dividends and Other Distributions.

(a) While the Restricted Shares are subject to restrictions under Section 1 and prior to any forfeiture thereof, the Key Employee may exercise full voting rights for the Restricted Shares registered in his name and held in escrow hereunder.

(b) While the Restricted Shares are subject to the restrictions under Section 1 and prior to any forfeiture thereof, all dividends and other distributions paid with respect to the Restricted Shares shall be held in escrow pursuant to Section 2 and shall be subject to the same restrictions as the Restricted Shares with respect to which they were paid.

(c) Subject to the provisions of this Agreement, the Key Employee shall have, with respect to the Restricted Shares, all other rights of holders of Common Stock.

8. Tax Withholding; Repurchase.

(a) It shall be a condition of the obligation of the Company to issue or release from escrow Restricted Shares to the Key Employee or the Beneficiary, and the Key Employee agrees, that the Key Employee shall pay to the Company, upon its demand, such amount as may be requested by the Company for the purpose of satisfying its liability to withhold federal, state, or local income or other taxes incurred by reason of the Award or as a result of the vesting hereunder or shall provide evidence satisfactory to the Company that the Company has no liability to withhold.

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(b) At each time the Company is obligated to issue or release from escrow Restricted Shares to the Key Employee or the Beneficiary, the Key Employee or the Beneficiary, as the case may be, may elect to have the Company repurchase up to 40% of the Restricted Shares to be so issued or released at a price equal to the Fair Market Value (as defined below) on the Tax Date (as defined below). The election must be delivered to the Company within 30 days after the Tax Date. If the number of shares so determined shall include a fractional share, then the Company shall not be obligated to repurchase such fractional share. All elections shall be made in a form acceptable to the Company. As used herein, (i) "Tax Date" means the date on which the Key Employee must include in his gross income tax purposes the fair market value of the Restricted Shares and (ii) "Fair Market Value" means the per share closing price on the date in question in the principal market in which the Common Stock is then traded or, if no sales of Common Stock have taken place on such date, the closing price on the most recent date on which selling prices were quoted.

9. Beneficiary.

(a) The person whose name appears on the signature page hereof after the caption "Beneficiary" or any successor that the Key Employee designates in accordance herewith (the person who is the Key Employee's Beneficiary at the time of his death herein referred to as the "Beneficiary") shall be entitled to receive such portion, if any, of the Restricted Shares that vests following the death of the Key Employee. The Key Employee may from time to time revoke or change his Beneficiary without the consent of any prior Beneficiary by filing a new designation with the Committee. The last such designation that the Committee receives shall be controlling; provided, however, that no designation, or change or revocation thereof, shall be effective unless received by the Committee prior to the Key Employee's death, and in no event shall any designation be effective as of a date prior to such receipt.

(b) If no such Beneficiary designation is in effect at the time of the Key Employee's death, or if no designated Beneficiary survives the Key Employee or if such designation conflicts with law, then the Key Employee's estate shall be entitled to receive the portion, if any, of the Restricted Shares that vests following the death of the Key Employee. If the Committee is in doubt as to the right of any person to receive such Restricted Shares, then the Company may retain such Restricted Shares, without liability for any interest thereon, until the Committee determines the person entitled thereto, or the Company may deliver such Restricted Shares to any court of appropriate jurisdiction, and such delivery shall be a complete discharge of the liability of the Company therefor.

10. Adjustments in Event of Change in Stock. In the event of any reclassification, subdivision or combination of shares of Common Stock, merger or consolidation of the Company or sale by the Company of all or a portion of its assets, or other event which could, in the judgment of the Committee, distort the implementation of the Grant or the realization of its objectives, the Committee may make such adjustments in the number of Restricted Shares under this Agreement, or in the terms, conditions or restrictions of this Agreement, as the Committee deems equitable; provided that in the absence of express action

by the Committee, adjustments that apply generally to Restricted Shares granted under the Stock Program shall apply automatically to the Restricted Shares under this Agreement.

11. Powers of Company Not Affected. The existence of the Grant shall not affect in any way the right or power of the Company or its stockholders to make or authorize any combination, subdivision or reclassification of the Common Stock or any reorganization, merger, consolidation, business combination, exchange of shares, or other change in the Company's capital structure or its business, or any issue of bonds, debentures or stock having rights or preferences equal, superior or affecting the Common Stock or the rights thereof, or dissolution or liquidation of the Company, or any sale or transfer of all or

any part of its assets or business, or any other corporate act or proceeding, whether of a similar character or otherwise. Nothing in this Agreement shall confer upon the Key Employee any right to continue in the employment of the Company or interfere with or limit in any way the right of the Company to terminate the Key Employee's employment at any time.

12. Certificate Legend. Each certificate for Restricted Shares shall bear the following legend:

The sale or other transfer of the shares of stock represented by this certificate, whether voluntary, or by operation of law, is subject to certain restrictions set forth in the Restricted Stock Award Agreement between Snap-on Incorporated and the registered owner hereof. A copy of such Agreement may be obtained from the Secretary of Snap-on Incorporated.

When the restrictions imposed by Section 1 terminate, the Key Employee shall be entitled to have the foregoing legend removed from the certificates representing such Restricted Shares.

13. Interpretation by Committee. The Key Employee agrees that any dispute or disagreement that may arise in connection with this Agreement shall be resolved by the Committee, in its sole discretion, and that any interpretation by the Committee of the terms of this Agreement or the Stock Program and any determination made by the Committee under this Agreement or such plan may be made in the sole discretion of the Committee and shall be final, binding, and conclusive.

14. Miscellaneous.

(a) This Agreement shall be governed and construed in accordance with the laws of the State of Wisconsin applicable to contracts made and to be performed therein between residents thereof.

(b) This Agreement may not be amended or modified except by the written consent of the parties hereto.

(c) The captions of this Agreement are inserted for convenience of reference only and shall not be taken into account in construing this Agreement.

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(d) Any notice, filing or delivery hereunder or with respect to the Grant shall be given to the Key Employee at either his usual work location or his home address as indicated in the records of the Company, and shall be given to the Committee or the Company at 10801 Corporate Drive, Kenosha, Wisconsin 53142, Attention: Secretary. All such notices shall be given by first class mail, postage pre-paid, or by personal delivery.

(e) This Agreement shall be binding upon and inure to the benefit of the Company and its successors and assigns and shall be binding upon and inure to the benefit of the Key Employee, the Beneficiary and the personal representative(s) and heirs of the Key Employee, except that the Key Employee may not transfer any interest in any Restricted Shares prior to the release of the restrictions imposed by Section 1.

IN WITNESS WHEREOF, the Company has caused this instrument to be executed by its duly authorized officer and its corporate seal hereunto affixed, and the Key Employee has hereunto affixed his hand and seal, all on the day and year set forth below.

SNAP-ON INCORPORATED

By: _____
Title: _____

Key Employee: _____

_____ (Seal)

Beneficiary: _____

Address of Beneficiary: _____

Beneficiary Tax Identification

No. _____

Exhibit (12)

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
(amounts in thousands)

	1999 ----	1998 ----	1997 ----
Net Earnings (Loss)	\$127,227	\$ (4,779)	\$150,366
Add:			
Income taxes	70,710	15,619	88,310
Minority interest in earnings of consolidated subsidiaries	177	4,228	4,461
	-----	-----	-----
Net Earnings as Defined	198,114	15,068	243,137
Fixed Charges:			
Interest on debt	27,358	21,254	17,654
Interest element of rentals	5,031	3,595	3,630
	-----	-----	-----
Total Fixed Charges	32,389	24,849	21,284
Total Adjusted Earnings Available for For Payment of Fixed Charges	\$230,503	\$39,917	\$264,421
	-----	-----	-----
Ratio of Earnings to Fixed Charges	7.1	1.6	12.4
	=====	=====	=====

For purpose of computing this ratio, "earnings" consist of (a) income from continuing operations before income taxes (adjusted for minority interest) and (b) "fixed charges" consist of interest on debt and the estimated interest portion of rents.

Management's Discussion and Analysis of Results of Operations and Financial Condition

Results of Operations

OVERVIEW: Snap-on Incorporated is a leading global developer, manufacturer, marketer and distributor of tool, diagnostic and equipment solutions for professional tool users in transportation service, industrial and other commercial applications worldwide. Snap-on's mission is to delight its customers by providing productivity-enhancing, innovative products, services and solutions. The Corporation has two business segments: Global Transportation, which serves the worldwide dealer van channel, and Global Operations, which is the Company's worldwide non-dealer tool and equipment products business. The Corporation offers financing for the purchase of products primarily through its 50%-owned financial services joint venture and, in certain instances, through a captive credit subsidiary. Product lines include hand and power tools, diagnostics and shop equipment, tool storage, diagnostics software and repair information, and other related services. Snap-on goes to market with multiple brands and through multiple channels of distribution.

CONSOLIDATED RESULTS: Net sales in 1999 increased 9.8% to a record \$1.946 billion over the \$1.773 billion posted in 1998. It was the eighth consecutive year of record sales for the Corporation. Comparable organic sales growth increased 5%, driven primarily by revenue gains in its Global Transportation segment and in the North American portion of its Global Operations segment. Increases in unit volumes were the primary contributor to the increase in organic growth in 1999. Acquisitions, net of divestitures, contributed an additional 7% to growth, partially offset by a 1% decline from the sale of emissions-testing equipment and a 1% decline from the translation of foreign-currency-denominated results into U.S. dollars. In 1998, net sales rose 6.0%. Excluding the results of acquisitions completed in 1998, sales declined approximately 1%. The unanticipated difficulties encountered in implementing the Corporation's new enterprisewide computer system, weakness in the Asia/Pacific region and difficult comparisons against 1997, which contained an unusually high level of emissions-testing equipment sales and was a 53-week year, affected sales growth in 1998. Additionally, currency translations impacted sales negatively by 1% in 1998.

(Amounts in thousands
except per share data)

	1999	1998	1997
Sales	\$1,945,621	\$1,772,637	\$1,672,215
Net earnings (loss)	127,227	(4,779)	150,366
Earnings (loss) per common share - basic	\$2.18	\$(.08)	\$2.47
Earnings (loss) per common share - diluted	\$2.16	\$(.08)	\$2.44

In 1999, net earnings of the Corporation were \$127.2 million, or \$2.16 in earnings per share - diluted. This compares with a net loss in 1998 of \$4.8 million, or \$.08 per share. Included in 1999 net earnings is an after-tax charge of \$23.3 million, or \$.40 per share - diluted, for restructuring and other non-recurring items associated with the Corporation's restructuring initiative, Project Simplify, launched in September 1998 (see page 20, Restructuring and Other Charges). In 1998, the net loss included an after-tax charge of \$107.6 million, or \$1.82 per share - diluted, for restructuring and other non-recurring items related to Project Simplify. Net earnings excluding these restructuring and other non-recurring items was up 46.7% in 1999. The improvement in 1999 net earnings, before the impact of the restructuring and other non-recurring charges, was driven primarily by the increase in operating earnings from the Global Transportation and Global Operations segments. Operating earnings from these segments increased to \$189.1 million, or 9.7% of net sales, compared with \$118.1 million, or 6.7% of net sales in 1998. This increase was due to cost

savings realized from Project Simplify activities, an improvement in productivity, and growth in net sales. The net loss in 1998 was due to the restructuring and other non-recurring costs associated with implementing Project Simplify and to the increased costs and lost sales associated with the unanticipated difficulties of aligning internal processes with a new enterprisewide computer system. In addition, there were higher costs related to the increased organizational complexity of the company - the result of numerous acquisitions over the preceding six years. In 1997, the Corporation had \$150.4 million in net earnings, or \$2.44 in earnings per share - diluted, the result of higher sales, particularly from emissions-related product, and improved margins due to lower operating expenses as a percent of sales.

COSTS AND PROFIT MARGINS: The gross profit margin increased to 46.1% in 1999, compared with 43.1% in 1998. It was 50.5% in 1997. The improvement in 1999 was related primarily to cost savings from Project Simplify actions and improved leverage from the higher level of sales, partially offset by a shift in business mix, related primarily to the acquisition of the Bahco Group AB ("Bahco"), and expense related to the discontinuance of emissions-testing equipment. Bahco, compared to the Corporation's historical profile, has both a lower gross profit margin and lower operating expenses as a percent of net sales, which result from its focus on sales to distributors. Included in the cost of goods sold in 1999 were \$16.6 million of non-recurring charges. The decline in the 1998 gross margin was due to a change in business mix resulting from several equipment acquisitions and a less favorable

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Management's Discussion and Analysis (continued)

product mix. Also negatively impacting 1998 were higher costs related to the shipping of hand tools as a result of the difficulties in implementing the Corporation's new computer system. Included in 1998 cost of goods sold were \$60.6 million of non-recurring charges related to Project Simplify and a \$14.1 million reduction in inventory related to the conversion to the new computer system. Sales per employee, a common measurement of productivity, increased 4% in 1999 following an increase of 1% in 1998.

Margin Analysis

1995	-	1,292	Net sales in \$ millions
	-	51.3%	Gross profit margin
	-	9.7%	Earnings margin from reportable segments
1996	-	1,485	Net sales in \$ millions
	-	50.5%	Gross profit margin
	-	10.5%	Earnings margin from reportable segments
1997	-	1,672	Net sales in \$ millions
	-	50.5%	Gross profit margin
	-	11.6%	Earnings margin from reportable segments
1998	-	1,773	Net sales in \$ millions
	-	43.1%	Gross profit margin
	-	6.7%	Earnings margin from reportable segments
1999	-	1,946	Net sales in \$ millions
	-	46.1%	Gross profit margin
	-	9.7%	Earnings margin from reportable segments

Total operating expenses as a percent of net sales decreased to 37.2% in 1999 from 39.8% in 1998. It was 38.9% in 1997. The decline in 1999 resulted primarily from Project Simplify actions to streamline activities and lower costs throughout the Corporation. Also contributing to the decrease was a shift in the business mix related to the acquisition of Bahco, partially offset by acquisition-related charges. The increase in 1998 was due primarily to lower productivity and higher costs for additional labor and freight because of

difficulties associated with the new computer system. These higher costs, along with the influence of acquisitions, caused total operating expenses to increase \$55.6 million over 1997. Research and engineering costs for the development of new and improved products, as well as process improvements, are included in operating expenses. These costs were \$50.2 million, \$48.6 million and \$46.5 million in 1999, 1998 and 1997. In 1999, approximately 300 new products were launched. More than 10% of total sales in 1999 were generated from the sale of products introduced during the prior 12 months.

Operating Expenses as
a Percent of Net sales

1995 - 41.6
1996 - 40.0
1997 - 38.9
1998 - 39.8
1999 - 37.2

Research & Development
in \$ millions

1995 - 34
1996 - 42
1997 - 47
1998 - 49
1999 - 50

SEGMENT RESULTS: During the fourth quarter of 1999, the Corporation adopted a new management organization structure, which changed the manner in which it reports its operating segments. The following review reflects the new organizational structure and does not include the allocation by reportable segment of the restructuring and other non-recurring charges. See Note 15 for additional information, including a more complete description of the segments.

(Amounts in thousands)	1999	1998	1997

Net sales from external customers			
Global Transportation	\$1,050,922	\$1,009,863	\$1,001,078
Global Operations	894,699	762,774	671,137

Total from reportable segments	\$1,945,621	\$1,772,637	\$1,672,215
=====			
Earnings			
Global Transportation	\$ 120,020	\$ 90,169	\$ 130,646
Global Operations	69,107	27,896	63,000

Total from reportable segments	\$ 189,127	\$ 118,065	\$ 193,646
=====			

Net sales in Global Transportation, the Corporation's business serving the dealer van channel worldwide, increased 4.1%, driven primarily by continued strength in the dealer channel in North America and a 1% average increase in selling price. Increased dealer productivity led to a 6% sales increase in North America. A sales gain in the Asia/Pacific region was partially offset by a currency-impacted sales decline in Europe. Sales of hand and power tools, tool storage and handheld diagnostics scan tools increased in 1999, partially resulting from the successful introduction of new products. Among the new products were a more powerful impact wrench, new soft-grip screwdrivers, new tool storage products and upgraded diagnostics software. Operating earnings increased 33.1% in 1999, benefiting from lower costs as a result of Project Simplify actions and the absence of the additional costs in 1998 arising from the computer-conversion difficulties, an improved product mix, and the higher level of sales. The 0.9% sales increase in 1998 over 1997 was due to an improvement in North American dealer sales, partially offset by a decline in sales of emissions-testing equipment and lost sales arising from difficulties in implementing the Corporation's new enterprisewide computer system. Currency translation negatively impacted sales growth by 1% in 1998. Higher costs and

lower productivity associated with operating the business during the difficulties of implementing the new computer system contributed to the 31.0% decline in

operating earnings in 1998. These higher costs included additional freight and labor in an effort to improve customer order fill rates and distribution services hampered by the computer conversion. Sales in 1997 benefited from the launch of several large emissions programs, the successful introduction of new products and an additional week in the accounting period. Operating earnings in 1997 benefited from the increase in sales, improvements in productivity and expense control, higher selling prices, and the additional week in the accounting period.

Net sales in Global Operations, the Corporation's business operations serving the direct sales and distributor sales channels, increased 17.3% in 1999. The increase was due to the Bahco acquisition, the contribution of businesses acquired in 1998, growth in sales to industrial customers and incremental sales to new-car dealerships from equipment facilitation programs for vehicle manufacturers, partially offset by soft equipment sales and negative currency effects in Europe. Currency translation negatively impacted segment sales growth by 2%. Excluding acquisitions and the negative currency impact, sales increased 3% in 1999. Operating earnings increased 147.7% in 1999 due to cost savings from Project Simplify actions, the absence of the costs in 1998 related to the enterprisewide computer systems conversion, improved productivity and expense control, improving profitability in Europe, and the higher level of sales. Sales increased 13.7% in 1998 due to the contribution from newly acquired businesses and the addition of new products, such as cordless power tools, new shop management software and a line of palm sanders. The increase was partially offset by the difficulties in shipping tools to industrial customers because of the computer systems conversion and a decline in sales of emissions-testing equipment to distributors and national accounts. Currency translation negatively affected sales growth by 1% for the year. Excluding the impact of acquisitions and currency translation, sales declined 3% in 1998. Operating earnings in 1998 declined 55.7% because of higher costs and increased organizational complexity related to the acquired businesses, the increased costs associated with the operational difficulties of the computer conversion and reduced profitability in European equipment operations. In 1997, sales benefited from high levels of emissions-testing equipment, new products and an additional week in the accounting period. Operating income benefited from the higher sales, partially offset by changes in the business mix resulting from acquired businesses.

NET FINANCE INCOME: Net finance income declined 8.3% to \$60.5 million, resulting primarily from a change in format of the Corporation's financial services business, partially offset by higher growth in originations of extended credit installment receivables and the introduction of new credit services, such as dealer finance programs and van leasing. The Corporation uses its financing programs to facilitate the sales of products. In seeking to reduce the asset intensity resulting from its financing activities, the Corporation established a joint venture with Newcourt Financial USA Inc. ("Newcourt") in January 1999, to provide financial services to the Corporation's global dealer and customer network through a limited liability company known as Snap-on Credit LLC ("the LLC"), 50% owned by each company. As a result of the establishment of the joint venture, the Corporation effectively outsourced to the LLC its captive credit function, previously managed by a wholly owned subsidiary, Snap-on Credit Corporation.

(Amounts in thousands)	1999	1998	1997
Net finance income	\$60,476	\$65,933	\$71,891

The operations were established initially in the United States and are

being expanded globally. As part of the transition, the Corporation repurchased \$337.0 million of its previously securitized installment receivables and \$68.3 million of dealer finance loan receivables, and then sold them to Newcourt. In addition, in a separate transaction, the remaining on-balance sheet U.S. portfolio of extended credit installment receivables, equipment lease receivables and dealer loan receivables were sold to Newcourt for an aggregate sale price of \$141.1 million, resulting in a pre-tax gain of approximately \$40 million. Newcourt has the right to put back to the Corporation the unpaid portion of the extended credit installment receivables portfolio based on the same pricing formula. As a result, this gain is being recognized over a two-year period.

In 1998, net finance income declined 8.3% to \$65.9 million after having increased 11.9% in 1997 to \$71.9 million. The decrease in 1998 reflects an increase in securitization of installment receivables.

As part of its efforts to improve asset efficiency, the Corporation sold \$48.5 million in extended credit installment receivables and \$29.4 million of dealer finance receivables in 1998. In 1997, a total of \$125.0 million of extended credit installment receivables was sold. The effect of these asset securitizations was a decline in net finance income offset by a corresponding decline in related interest expense. The proceeds of the securitization and receivables sales were used to pay down short-term debt and for working capital and other general corporate purposes.

The higher net finance income in 1997 was the result of increases in extended credit installment receivables and benefits from programs to control related costs.

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Management's Discussion and Analysis (continued)

RESTRUCTURING AND OTHER CHARGES: In the third quarter of 1998, the Corporation's board of directors approved Project Simplify, a broad program of internal rationalizations, consolidations and reorganizations to make the Corporation's business operations simpler and more effective.

The expected \$185 million in total charges for the 18-month program included the cost of closing facilities, employee severance costs associated with a reduction in staffing, impaired asset write-downs, costs to revalue discontinued stock keeping units ("SKUs"), legal matters and other non-recurring costs. The Corporation expected to realize annual cost savings of approximately \$60 million from the initiative, with one-half of the savings expected to be realized in 1999.

Project Simplify was essentially completed and fully provided for as of January 1, 2000. The Corporation achieved its original targets of closing 60 facilities, eliminating approximately 1,100 positions and discontinuing more than 12,000 SKUs of inventory, along with the consolidation of certain business units. Total charges for Project Simplify, which are composed of restructuring charges and other non-recurring charges, amounted to \$187.1 million. This amount consists of \$67.1 million of restructuring charges and \$120.0 million of other non-recurring charges. Approximately 65% of the total charges were non-cash with the remaining costs requiring cash outflows which were provided from operations.

The Corporation recorded in its Consolidated Statements of Earnings, \$37.2 million in 1999 and \$149.9 million in 1998 in pre-tax charges related to Project Simplify actions. The Corporation achieved its target of realizing \$30 million in cost savings in 1999 and the Corporation expects to meet its target of approximately \$60 million in total annual cost savings in 2000.

During 1999, the Corporation recorded pre-tax charges of \$37.2 million. This charge consists of \$43.2 million of additional other non-recurring charges, partially offset by \$6.0 million of previously recorded restructuring reserves, which were no longer needed and reversed.

The composition of the Corporation's restructuring charge activity for the year ended January 1, 2000, was as follows:

(Amounts in thousands)	Restructuring Reserves as of January 2, 1999	Reversal of Reserves	Cash Payments	Restructuring Reserves as of January 1, 2000
Expenditures for severance and other exit costs	\$16,505	\$ (902)	\$(11,103)	\$4,500
Charges for warranty provisions	9,660	(5,065)	(4,595)	-
Total restructuring reserves	\$26,165	\$(5,967)	\$(15,698)	\$4,500

As part of the Corporation's restructuring efforts, charges of \$15.5 million were recorded in 1998 for severance and \$7.6 million for non-cancelable lease agreements on facilities to be closed and other exit costs associated with Project Simplify. As of January 1, 2000, 1,029 employees of an estimated 1,100 have separated from the Corporation, and severance payments of \$7.1 million were made during 1999. Severance costs for worldwide salaried and hourly employees relate to facility closures, elimination of staffing redundancies and operational streamlining. The elimination of the remaining positions is expected by the end of the first quarter of 2000. As of January 1, 2000, the Corporation has remaining restructuring reserves of \$4.5 million for expected severance, non-cancelable lease agreements on facilities to be closed and other exit costs.

Also, as part of the restructuring efforts, the Corporation recorded a charge in the amount of \$9.7 million in 1998 to provide additional warranty support, at no cost to the customer, for products already sold, relating to the elimination of discontinued business units and their product lines. During 1999, the Corporation made \$4.6 million in cash payments under these warranties. The extended warranty period expired in 1999 and the remaining reserve of \$5.1 million was reversed. The warranty reserve has been included in Cost of Goods Sold - Discontinued Products while all remaining restructuring charges have been included in Restructuring and Other Non-recurring Charges on the accompanying Consolidated Statements of Earnings.

As part of Project Simplify, the Corporation recorded other non-recurring charges in the amount of \$120.0 million. These charges include the elimination of \$55.7 million of discontinued SKUs of inventory, costs to resolve certain legal matters in the amount of \$18.7 million, which represents attorneys' fees and, in some cases, the likely cost to settle certain disputes which predated the commencement of Project Simplify, the discontinuance of an emissions-testing equipment line of \$16.9 million and other non-recurring costs in the amount of \$28.7 million.

During 1999, the Corporation recorded other non-recurring charges of \$43.2 million. A total of \$4.8 million was recorded for the discontinuance of SKUs of inventory. This initiative is an effort to reduce the transaction costs and working capital intensity of the Corporation's product offering and refocus on high-volume growth products. The Corporation also recorded \$16.9 million in charges for the discontinuance of an emissions-testing equipment line as part of the Corporation's refocus on high-volume growth products.

In 1999, additional other non-recurring charges in the amount of \$21.5 million consisted of employee incentives of \$1.5 million, relocation costs of \$10.9 million and professional services of \$9.1 million. In 1998, additional other non-recurring charges in the amount of \$7.2 million consisted of \$2.5 million of accelerated depreciation of computer equipment that was abandoned during the fourth quarter, employee incentives of \$1.0 million, relocation costs of \$1.2 million and professional services of \$2.5 million. The non-recurring charges related to the reduction of SKUs and discontinuance of product lines

have been included as part of Cost of Goods Sold - Discontinued Products, while the remaining non-recurring charges have been included in Restructuring and Other Non-recurring Charges on the accompanying Consolidated Statements of Earnings.

OTHER INCOME AND EXPENSES: Interest expense for 1999 was \$27.4 million, an increase of \$6.1 million compared with 1998. This increase is due to higher average levels of debt outstanding, as a result of the Bahco acquisition. Other income in 1999 included a gain on the sale of a 15% interest in Mitchell Repair Information Company, LLC ("MRIC"), a subsidiary of the Corporation, and a modest gain on the net effect of a currency hedge on the purchase price commitment for the acquisition of Bahco. Other expense in 1998 was attributable primarily to a gain on the sale of a European manufacturing facility and lower foreign currency transaction losses, offset by the deduction for the minority interest in MRIC. Other expense in 1997 related primarily to the deduction for the minority interest in connection with the Corporation's 50% ownership of MRIC and a loss from foreign currency transactions.

(Amounts in thousands)	1999	1998	1997
Interest expense	\$ (27,358)	\$ (21,254)	\$ (17,654)
Interest income	1,217	1,169	1,163
Other income (expense)	11,665	(3,210)	(10,370)
Total other expense	\$ (14,476)	\$ (23,295)	\$ (26,861)

INCOME TAXES: The Corporation's effective tax rate in 1999 and 1998, excluding restructuring and other non-recurring charges, was 36.0%, compared with 37.0% in 1997. The reported effective tax rate for 1999 was 35.7% and for 1998 was 144.1%. For additional information about the Corporation's tax position and activities, see Note 7.

FOURTH QUARTER: Net sales for the fourth quarter of 1999 were \$566.7 million, an increase of 18.9% compared with the same period in 1998. The growth in sales benefited from strong dealer sales in North America and the contribution from Bahco. Excluding Bahco and a negative 2% impact from currency translation, net sales increased 5% for the quarter.

Net earnings were \$27.4 million, an increase of 146.8% compared with the \$11.1 million earned in 1998. Earnings per diluted share were \$.47 compared with \$.19 in the prior year. Earnings in 1999 included \$22.9 million in pre-tax restructuring and other non-recurring charges, or \$.24 per share after tax. The \$22.9 million comprises \$16.9 million for the discontinuance of an emissions-testing equipment line, \$4.8 million for the discontinuance of SKUs of inventory, \$7.2 million for other non-recurring costs (\$0.4 million of employee incentives, \$3.9 million of relocation costs and \$2.9 million in professional services) less the reversal of reserves no longer needed of \$6.0 million. Earnings for the fourth quarter of 1998 included \$19.3 million of restructuring and other non-recurring charges pre-tax, or \$.21 per share after tax. The \$19.3 million comprises \$2.6 million of additional restructuring charges (\$0.6 million for the write-down of assets of discontinued operations and \$2.0 million of additional severance), \$6.7 million of other non-recurring costs (\$2.5 million of accelerated depreciation on abandoned computer equipment, \$1.0 million for employee incentives, \$1.2 million for relocation costs and \$2.0 million of professional services) and a \$10.0 million reversal of LIFO benefit on the reduction of SKUs. This benefit was originally taken at the inception of Project Simplify. However, since projected inventory reductions were not achieved, the benefit was reversed. The increase in 1999 earnings and earnings per share was largely due to cost savings from the Corporation's simplification actions, the reduction in restructuring and other non-recurring charges, the increased level of sales, and a pre-tax gain of \$7.1 million from the sale of a 15% interest in MRIC (see further discussion in Other Matters, Divestitures), partially offset by expense related to the discontinuance of emissions-testing equipment and acquisition-related charges. In 1998, earnings included a pre-tax gain on the sale of a European facility, gains related to the sale of installment receivables and pension curtailment benefits related to the Corporation's restructuring actions.

Management's Discussion and Analysis (continued)

FOREIGN CURRENCY: The Corporation operates in a number of countries and, as a result, is exposed to changes in exchange rates. Most of these exposures are managed on a consolidated basis to take advantage of natural offsets through netting. To the extent that the net exposures are hedged, forward contracts are used. Refer to Note 8 for a discussion of the Corporation's accounting policies for the use of derivative instruments.

Financial Condition

OVERVIEW: The Corporation's financial condition remains solid and the Corporation has the resources necessary to meet future anticipated funding needs. The Corporation has historically funded its growth through a combination of cash provided by operating activities and debt financing. Net cash provided by operating activities amounted to \$235.6 million in 1999, \$75.0 million in 1998 and \$194.9 million in 1997. Net debt financing amounted to \$274.2 million in 1999, \$148.8 million in 1998 and \$2.8 million in 1997. As of January 1, 2000, the ratio of total debt to total capital increased to 43.3% from 30.8% at the end of 1998. The increase in 1999 was due primarily to the cash purchase of Bahco, which was funded through debt assumption and an expansion of an existing commercial paper credit facility.

Return on Net Assets Employed
Before Interest and Taxes

in percent

1995 - 21.1

1996 - 24.4

1997 - 25.1

1998 - 15.2*

1999 - 20.5*

*Excludes restructuring and other non-recurring charges

Net Cash Provided
by Operating Activities

in \$ millions

1995 - 173

1996 - 136

1997 - 195

1998 - 75

1999 - 236

LIQUIDITY: The Corporation's working capital in 1999 increased \$131.8 million to \$753.6 million, compared with a decrease of \$47.4 million in 1998. The increase in working capital was due primarily to the impact of the Bahco acquisition completed during 1999. The sale of installment receivables during 1998 more than offset the negative effects of acquisitions and increased working capital requirements, primarily inventories. The ratio of current assets to current liabilities on January 1, 2000, was 2.7 to 1, compared with 2.4 to 1 at the end of 1998. Cash and cash equivalents were \$17.6 million at year-end 1999, compared with \$15.0 million at the end of 1998.

Accounts receivable increased \$62.9 million as a result of the Bahco acquisition. Excluding that impact, accounts receivable declined \$9.5 million at year-end 1999, compared with year-end 1998. In 1998, accounts receivable increased \$15.1 million, the result of acquisitions partially offset by the installment receivables securitization program discussed previously and in Note 5. Exclusive of the asset securitizations effected in 1998, receivables increased by \$14.2 million due primarily to acquisitions. At the end of 1999, installment receivables represented approximately 13% of the Corporation's total accounts receivable, compared with 29% at year-end 1998. The majority of accounts receivable at year-end 1999 included those from dealers, industrial

customers and governments. Total write-offs for bad debts represented 2.2% of average accounts receivable in 1999, compared with 2.1% in 1998, reflecting a slightly more difficult environment for credit collections. The Corporation's bad-debt ratio remains significantly below that of the credit industry.

Inventories at year-end 1999 increased \$79.4 million to \$454.8 million, compared with year-end 1998, primarily reflecting the acquisition of Bahco. Excluding the effect of Bahco, inventories declined \$2.3 million. For 1998, inventories increased by \$2.2 million, primarily because of acquisitions.

(Amounts in thousands)	1999	1998
Current assets	\$1,206,341	\$1,079,832
Current liabilities	452,749	458,053
Working capital	\$ 753,592	\$ 621,779
Current ratio	2.7 to 1	2.4 to 1

Short-term debt at the end of 1999 was \$22.3 million, a decline from \$93.1 million at the end of 1998. Current maturities of long-term debt were \$4.4 million and \$2.2 million at year-end 1999 and 1998. At year-end 1999, the Corporation had \$498.7 million, compared with \$100.0 million at year-end 1998, in short-term commercial notes payable outstanding that were classified as long-term, since it is the Corporation's intent, and it has the ability, to refinance this debt on a long-term basis, supported by its revolving credit facility. During 1999, the Corporation completed \$600 million of multi-currency revolving credit facilities to support its commercial paper program. A \$200 million credit

facility is effective for a five-year term and terminates August 2004. A \$400 million credit facility is a 364-day arrangement with a one-year term-out option, which allows the Corporation the capability to elect to borrow under the credit facility for an additional year after termination date. At the end of 1999, there were no borrowings under either revolving credit commitment. The Corporation has on file a \$300 million shelf registration that allows the Corporation to issue from time to time up to \$300 million of unsecured indebtedness. Of this amount, \$100.0 million aggregate principal amount of its notes has been issued to the public.

These sources of borrowing, coupled with cash from operations, are sufficient to support working capital requirements, finance capital expenditures, make acquisitions, repurchase common stock and pay dividends. The Corporation's high credit rating over the years has ensured that external funds are available at a reasonable cost. At the end of 1999, the Corporation's long-term debt was rated Aa3 by Moody's Investor Service and A+ by Standard & Poor's. The Corporation believes the strength of its balance sheet provides the financial flexibility to respond to both internal growth opportunities and those available through acquisition.

CAPITAL EXPENDITURES/DEPRECIATION AND AMORTIZATION: Capital expenditures for 1999 were \$35.4 million, a decrease of \$11.4 million from the \$46.8 million in 1998. Investments for the year included additional upgrades to the Corporation's computer systems and the normal addition, replacement and upgrade of manufacturing and distribution facilities and equipment. The Corporation anticipates that capital expenditures in 2000 will total \$55 million to \$60 million.

Total Debt to Total Capital

in percent
1995 - 18.5
1996 - 17.3
1997 - 16.4
1998 - 30.8

1999 - 43.3

Total Capital

in \$ millions

1995 - 921

1996 - 1,001

1997 - 1,067

1998 - 1,102

1999 - 1,455

Depreciation for 1999 was \$41.3 million, an increase of \$6.5 million over the \$34.8 million in 1998. In 1997, depreciation was \$29.7 million. The growth in both 1999 and 1998 was driven by increased capital spending in 1997 and 1996, and by the inclusion of acquired businesses. Amortization expense in 1999 was \$14.1 million, up \$3.9 million over 1998's \$10.2 million. In 1997, amortization was \$8.7 million. Acquisitions accounted for the higher expense in both 1999 and 1998.

(Amounts in thousands)	1999	1998	1997
Capital expenditures	\$35,390	\$46,779	\$55,442
Depreciation	41,298	34,801	29,724
Amortization	14,067	10,184	8,653

DIVIDENDS: At its June 1999 meeting, the board of directors declared a 4.5% increase in the quarterly dividend on the Corporation's common stock, raising the annual dividend rate to \$.92 per share. The Corporation has paid consecutive quarterly dividends since 1939.

	1999	1998	1997
Cash dividends paid (in thousands)	\$52,671	\$50,977	\$49,888
Cash dividends paid per common share	\$.90	\$.86	\$.82
Cash dividends paid as a % of net income	41.4%	N/M	33.2%

N/M = not meaningful

STOCK REPURCHASE PROGRAM: At its January 1999 meeting, the board of directors authorized the repurchase of up to \$50.0 million of the Corporation's common stock. This action followed the board's authorization in 1998 to repurchase up to \$100.0 million of common stock and its authorization in 1997 for up to \$100.0 million of common stock. At the end of 1999, all of the 1999 authorization and substantially all of the 1998 authorization remained available, or approximately \$150 million. In addition, an authorization by the board of directors is currently in effect to repurchase common shares of the Corporation in an amount equivalent to the number of shares issued in connection with the exercise of employee and dealer stock purchase programs, options and other similar issuances. The Corporation repurchased 492,800 shares of its common stock in 1999, 2,279,400 shares in 1998 and 986,333 shares in 1997. Since 1995, the Corporation has repurchased 8,570,083 shares.

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Management's Discussion and Analysis (continued)

Other Matters

ACQUISITIONS: During 1999, the Corporation acquired Bahco, formerly known as Sandvik Saws and Tools, from Sandvik AB for approximately \$380 million in a cash purchase transaction. The purchase included a number of brand names and trademarks, facilities, and certain other assets and liabilities. Bahco is a manufacturer and supplier of professional hand tools, including saws and other cutting implements, files, wrenches, pliers, screwdrivers and pruning tools. Bahco primarily utilizes outside distributors to sell its products. The

Corporation expects the acquisition to be modestly accretive in 2000. Also during 1999, the Corporation acquired the remaining 40% of MRIC that it did not previously own for \$51.0 million, and the full ownership of three additional businesses for an additional aggregate cash purchase price of \$22.9 million.

During 1998, the Corporation acquired full or partial ownership of five new business operations and an additional 10% interest in MRIC for an aggregate cash purchase price of \$79.5 million. Each of the acquisitions provided the Corporation with a complementary product line, new customer relationships, access to additional distribution and/or extended geographic reach.

DIVESTITURES: During the fourth quarter of 1999, the Corporation sold a 15% interest in MRIC to Genuine Parts Company ("GPC") in support of an alliance to enhance and expand the e-business efforts of both companies. The combined effort unites the replacement-parts catalog and online order interface and procurement capabilities of GPC's Automotive Parts Group with the online repair information, "voice and view" diagnostics help, labor rates and shop management capabilities of MRIC.

YEAR 2000 COMPLIANCE: The Corporation has not experienced any significant century date-related issues. Based on information currently known to it, the Corporation believes that all critical areas of its business are Year 2000 compliant. The Corporation's Year 2000 efforts focused on ensuring that its information systems, embedded systems, third-party systems and products would achieve a Year 2000 date conversion with no disruption to the Corporation's business operations and that contingency plans were developed to address most likely worst case scenarios. Information systems, critical third-party suppliers and date-related issues, if any, will continue to be monitored and contingency plans will remain in place.

The Corporation projected that the total expenditures for all of its Year 2000 compliance activities would not exceed \$5.4 million. Through the end of 1999, the Corporation spent \$4.7 million on Year 2000 issues, with funding provided by cash flows from operations. The Corporation does not anticipate any further significant expenditures for these or other Year 2000 compliance activities.

ACCOUNTING STANDARDS: In June 1999, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 137, "Accounting for Derivative Instruments and Hedging Activities - Deferral of the Effective Date of FASB Statement No. 133." SFAS No. 137 defers the effective date of SFAS No. 133 for one year to fiscal years beginning after June 15, 2000. The Corporation is currently evaluating the impact of this pronouncement.

VALUE AT RISK: The Corporation uses derivative instruments to manage well-defined interest rate and foreign currency exposures and to limit the impact of interest rate and foreign currency rate changes on earnings and cash flows. The Corporation does not use derivative instruments for trading purposes.

The Corporation 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. The Corporation's computations are based on the interrelationships among movements in various currencies and interest rates (variance/co-variance technique). These interrelationships were determined by observing interest rate and foreign currency market changes over the preceding quarter.

The Corporation has operations in a number of countries and has intercompany transactions among them, and, as a result, is exposed to changes in foreign currency exchange rates. The Corporation manages most of these exposures on a consolidated basis, which allows netting certain exposures to take advantage of any natural offsets. To the extent the net exposures are hedged, forward contracts are used. The Corporation also enters into interest rate swap agreements to manage interest costs and risks associated with changing interest rates.

The estimated maximum potential one-day loss in fair value, calculated using the VAR model, at January 1, 2000, was \$0.2 million on interest rate-sensitive financial instruments and \$1.2 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 the Corporation, nor does it consider the potential effect of favorable changes in market factors.

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EURO CONVERSION: On January 1, 1999, certain member countries of the European Union established fixed conversion rates between their existing currencies ("legacy currencies") and one common currency - the euro. The euro trades on currency exchanges and may be used in business transactions. Beginning in January 2002, new euro-denominated bills and coins will be used, and legacy currencies will be withdrawn from circulation. The Corporation's operating subsidiaries affected by the euro conversion have developed plans to address the systems and business issues affected by the euro currency conversion. These issues include, among others, (i) the need to adapt computer and other business systems and equipment to accommodate euro-denominated transactions, and (ii) the competitive impact of cross-border price transparency, which may affect pricing strategies. The Corporation does not expect this conversion to have a material impact on its financial condition or results of operations.

OUTLOOK: Overall, the Corporation believes that the fundamental trends affecting its business remain sound. During 2000, the Corporation's investment will be focused on technology and people to capture internal growth opportunities and realize additional benefits from its simplification efforts and recent acquisitions. Emphasis will remain on the Corporation's traditional growth drivers: developing new, innovative products and services; enhancing the delivery of value to its customers; and reinforcing its strong brand recognition. The Corporation also expects to focus efforts on further strengthening financial returns and cash flow and to continue to develop its e-commerce initiatives.

As a result of the Corporation's emphasis on core product lines and the Bahco acquisition, the mix of products is expected to be approximately 60% tools and 40% equipment. Also, as a result of the Bahco acquisition, sales outside the United States are expected to be approximately 40% of total sales.

The Corporation has set as its long-term financial targets the attainment of 10% average annual sales growth, 15% average annual growth in earnings per share and a 20% return on average equity for 2000. In addition, the Corporation believes its effective tax rate in 2000 will increase to 36.5% as a result of the additional amortization of goodwill arising from the Bahco acquisition.

"SAFE HARBOR": Statements in this document that are not historical facts, including statements that (i) include the words "believes," "expects," "anticipates," or "estimates" or words of similar importance with reference to the Corporation or management; (ii) are specifically identified as forward-looking; or (iii) describe the Corporation's or management's future plans, objectives or goals, are forward-looking statements. The Corporation or its representatives may also make similar forward-looking statements from time to time orally or in writing. The Corporation cautions the reader that these statements are subject to risks, uncertainties and other factors that could cause (and in some cases have caused) actual results to differ materially from those described in any such statement. Some of those factors are discussed below, as well as elsewhere in this document, and in the Corporation's Securities and Exchange Commission filings. These factors may not constitute all factors that could cause actual results to differ materially from those discussed in any forward-looking statement. The Corporation's ability to meet its performance objectives and to achieve results that may be described in any forward-looking statement is dependent upon both macro-environmental factors and

factors related specifically to the Corporation or the industries in which it participates. These include, but are not limited to, the following: the Corporation's ability to withstand external negative factors, including changes in trade, monetary and fiscal policies, laws and regulations, or other activities of governments or their agencies; significant changes in the current competitive environment; general economic weakness; inflation; currency exchange fluctuations or the material worsening of economic or political situations around the world; the degree of the Corporation's success in executing its multiple brands/multiple channels strategy on a global basis and in integrating its acquisitions; the maintenance of the positive relationship that currently exists between the Corporation and its franchisees; the Corporation's ability to retain franchisees and to recruit new franchisees; the continuation of good relations with the Corporation's employees; the Corporation's ability to manufacture, distribute and/or record the sale of products during any computer systems-related changes or upgrades; and the ability to grow through successful identification, negotiation and integration of new acquisitions, joint ventures or strategic alliances.

The Corporation operates in a continually changing business environment, and new factors emerge from time to time. The Corporation cannot predict such factors, nor can it assess the impact, if any, of such factors on the Corporation, or its results. Accordingly, forward-looking statements should not be relied upon as a prediction of actual results. The Corporation disclaims any responsibility to update any forward-looking statement provided in this document.

Consolidated Statements of Earnings

(Amounts in thousands except per share data)	1999	1998	1997
Net sales	\$1,945,621	\$1,772,637	\$1,672,215
Cost of goods sold	(1,032,836)	(948,761)	(828,387)
Cost of goods sold - non-recurring charges	(16,598)	(60,562)	-
Operating expenses	(723,658)	(705,811)	(650,182)
Net finance income	60,476	65,933	71,891
Restructuring and other non-recurring charges	(20,592)	(89,301)	-
Interest expense	(27,358)	(21,254)	(17,654)
Other income (expense) - net	12,882	(2,041)	(9,207)
Earnings before income taxes	197,937	10,840	238,676
Income taxes	70,710	15,619	88,310
Net earnings (loss)	\$ 127,227	\$ (4,779)	\$ 150,366
Earnings (loss) per weighted average common share - basic	\$ 2.18	\$ (.08)	\$ 2.47
Earnings (loss) per weighted average common share - diluted	\$ 2.16	\$ (.08)	\$ 2.44
Weighted average common shares outstanding - basic	58,494	59,220	60,845
Effect of dilutive options	383	-	841
Weighted average common shares outstanding - diluted	58,877	59,220	61,686

The accompanying Notes are an integral part of these statements.

Consolidated Balance Sheets

(Amounts in thousands except share data)

Jan. 1, 2000

Jan. 2, 1999

Assets		
Current assets		
Cash and cash equivalents	\$ 17,617	\$ 15,041
Accounts receivable, less allowance for doubtful accounts of \$27.8 million in 1999 and \$29.2 million in 1998	617,645	554,703
Inventories	454,841	375,436
Prepaid expenses and other assets	116,238	134,652

Total current assets	1,206,341	1,079,832

Property and equipment - net	362,598	272,030
Deferred income tax benefits	54,652	60,139
Intangible and other assets	526,231	262,919

Total assets	\$2,149,822	\$1,674,920
=====		
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable	\$ 146,422	\$ 89,442
Notes payable and current maturities of		
long-term debt	22,349	93,117
Accrued compensation	57,540	42,105
Dealer deposits	48,251	42,421
Deferred subscription revenue	42,056	34,793
Accrued restructuring reserves	4,500	26,165
Other accrued liabilities	131,631	130,010

Total current liabilities	452,749	458,053

Long-term debt	607,476	246,644
Deferred income taxes	26,989	9,587
Retiree health care benefits	91,391	89,124
Pension liability	96,238	75,040
Other long-term liabilities	49,718	34,205

Total liabilities	1,324,561	912,653

Shareholders' equity		
Preferred stock - authorized 15,000,000 shares of \$1 par value; none outstanding	-	-
Common stock - authorized 250,000,000 shares of \$1 par value; issued 66,729,457 and 66,685,169 shares	66,729	66,685
Additional paid-in capital	62,292	117,384
Retained earnings	957,763	883,207
Accumulated other comprehensive income (loss)	(35,814)	(30,231)
Grantor stock trust at fair market value - 6,677,450 and 6,924,019 shares	(177,373)	(241,042)
Treasury stock at cost - 1,505,339 and 1,016,224 shares	(48,336)	(33,736)

Total shareholders' equity	825,261	762,267

Total liabilities and shareholders' equity	\$2,149,822	\$1,674,920
=====		
The accompanying Notes are an integral part of these statements.		

Consolidated Statements of Shareholders' Equity and Comprehensive Income

(Amounts in thousands except share data)	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Grantor Stock Trust	Treasury Stock	Total Shareholders' Equity

Balance at December 28, 1996	\$65,972	\$ 66,506	\$838,484	\$ (13,930)	\$ -	\$ (128,871)	\$828,161
Comprehensive income:							
Net earnings for 1997			150,366				
Foreign currency translation				(16,455)			
Total comprehensive income							133,911
Cash dividends - \$.82 per share			(49,887)				(49,887)
Issuance of 19,764 shares under							

dividend reinvestment plan	20	804					824
Issuance of 480,446 shares under stock purchase and option plans	480	10,940					11,420
Purchase of 986,333 shares for treasury					(42,324)		(42,324)
Reissuance of 216,570 shares from treasury		2,380			5,524		7,904
Tax benefit from certain stock options and other items		2,128					2,128
Balance at January 3, 1998	66,472	82,758	938,963	(30,385)	-	(165,671)	892,137
Comprehensive income:							
Net loss for 1998			(4,779)				
Foreign currency translation				2,694			
Minimum pension liability				(2,540)			
Total comprehensive income (loss)							(4,625)
Cash dividends - \$.86 per share			(50,977)				(50,977)
Issuance of 33,620 shares under dividend reinvestment plan	34	839					873
Issuance of 179,422 shares under stock purchase and option plans	179	6,055					6,234
Establishment of grantor stock trust with 7,100,000 shares from treasury		36,547			(255,156)	218,609	-
Issuance of 175,981 shares from grantor stock trust under stock purchase and option plans					3,774		3,774
Purchase of 2,279,400 shares for treasury						(90,357)	(90,357)
Reissuance of 119,489 shares from treasury		336				3,683	4,019
Tax benefit from certain stock options and other items		1,189					1,189
Adjustment of grantor stock trust to fair market value		(10,340)			10,340		-
Balance at January 2, 1999	66,685	117,384	883,207	(30,231)	(241,042)	(33,736)	762,267
Comprehensive income:							
Net earnings for 1999			127,227				
Foreign currency translation				(5,441)			
Minimum pension liability				(142)			
Total comprehensive income							121,644
Cash dividends - \$.90 per share			(52,671)				(52,671)
Issuance of 38,809 shares under dividend reinvestment plan	39	1,210					1,249
Issuance of 5,479 shares under stock compensation plan	5	172					177
Issuance of 246,569 shares from grantor stock trust under stock purchase and option plans					6,930		6,930
Purchase of 492,800 shares for treasury						(14,711)	(14,711)
Reissuance of 3,685 shares from treasury		3				111	114
Tax benefit from certain stock options and other items		262					262
Adjustment of grantor stock trust to fair market value		(56,739)			56,739		-
Balance at January 1, 2000	\$66,729	\$ 62,292	\$957,763	\$(35,814)	\$(177,373)	\$ (48,336)	\$825,261

The accompanying Notes are an integral part of these statements.

Consolidated Statements of Cash Flows

(Amounts in thousands)	1999	1998	1997
Operating activities			
Net earnings (loss)	\$127,227	\$ (4,779)	\$ 150,366
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities:			
Depreciation	41,298	34,801	29,724
Amortization of intangibles	14,067	10,184	8,653
Deferred income tax provision	16,313	13,125	11,814
(Gain) loss on sale of assets	(1,325)	(7,312)	114
(Gain) on disposition of business	(4,359)	-	-
Charges due to restructuring and other non-recurring charges	23,255	107,628	-
Changes in operating assets and liabilities, net of effects of acquisitions:			
Decrease in receivables	21,628	11,789	133,171
(Increase) in inventories	(5,749)	(28,937)	(87,502)
(Increase) decrease in prepaid and other assets	41,990	35,775	(21,188)
Increase (decrease) in accounts payable	7,429	(13,400)	(16,562)
(Decrease) in accruals and other liabilities	(46,170)	(83,843)	(13,696)
Net cash provided by operating activities	235,604	75,031	194,894
Investing activities			
Capital expenditures	(35,390)	(46,779)	(55,442)
Acquisitions of businesses - net of cash acquired	(440,654)	(79,543)	(62,947)
Disposition of business	21,300	-	-
Disposal of property and equipment	6,467	16,680	2,159

Net cash used in investing activities	(448,277)	(109,642)	(116,230)
Financing activities			
Payment of long-term debt	(48,734)	(3,543)	(7,802)
Increase in long-term debt	6,770	48,221	-
Increase in short-term borrowings - net	316,171	104,165	10,579
Purchase of treasury stock - net	(14,600)	(86,674)	(36,800)
Proceeds from stock purchase and option plans	8,621	12,405	16,752
Cash dividends paid	(52,671)	(50,977)	(49,888)
Net cash provided by (used in) financing activities	215,557	23,597	(67,159)
Effect of exchange rate changes on cash	(308)	376	(1,176)
Increase (decrease) in cash and cash equivalents	2,576	(10,638)	10,329
Cash and cash equivalents at beginning of year	15,041	25,679	15,350
Cash and cash equivalents at end of year	\$ 17,617	\$ 15,041	\$ 25,679
The accompanying Notes are an integral part of these statements.			

Notes to Consolidated Financial Statements

Note 1 Summary of Accounting Policies

A summary of significant accounting policies applied in the preparation of the accompanying consolidated financial statements follows:

a. Nature of operations: The Corporation is a leading global developer, manufacturer and marketer of tool, diagnostic and equipment solutions for professional tool users. Product lines include hand tools, power tools, tool storage products, shop equipment, saws and cutting tools, pruning tools, under-hood diagnostics equipment, under-car equipment, emissions and safety equipment, collision repair equipment, vehicle service information and business management systems and services. The Corporation's customers include professional automotive technicians, shop owners, franchised service centers, national accounts, original equipment manufacturers, and commercial, industrial tool and equipment users worldwide.

b. Use of estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

c. Principles of consolidation: The consolidated financial statements include the accounts of the Corporation and its subsidiaries, all of which are wholly owned with the exception of Mitchell Repair Information Company, LLC ("MRIC"), Texo S.r.l., Cartec GmbH and Snap-on Tools/PST Africa (Pty.) Ltd. Significant intercompany accounts and transactions have been eliminated. Snap-on Credit LLC ("the LLC") is an unconsolidated joint venture with Newcourt Financial USA Inc. ("Newcourt").

d. Accounting period: The Corporation's accounting period ends on the Saturday nearest December 31. The 1999, 1998 and 1997 years ended on January 1, 2000, January 2, 1999, and January 3, 1998. The 1999 and 1998 years contained 52 weeks; 1997 was a 53-week year.

e. Cash equivalents: The Corporation considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Cash equivalents are stated at cost, which approximates market value.

f. Inventories: Inventories, consisting of manufactured products and merchandise for resale, are stated at the lower of cost or market. Manufactured

products include the costs of materials, labor and manufacturing overhead. Inventories accounted for using the last-in, first-out (LIFO) method approximated 39% and 60% of total inventory as of year-end 1999 and 1998. Remaining inventories are generally determined using the first-in, first-out (FIFO) cost method. For detailed inventory information, refer to Note 3.

g. Property and equipment: Property and equipment is stated at cost less accumulated depreciation and amortization. Depreciation and amortization are provided on a straight-line basis over estimated useful lives. Accelerated depreciation methods are used for income tax purposes. Capitalized software included in property and equipment reflects costs related to internally developed or purchased software for internal use that are capitalized and amortized on a straight-line basis over periods not exceeding seven years. For detailed property and equipment information, refer to Note 4.

h. Intangibles: During 1999, the Corporation acquired full ownership of the Bahco Group AB ("Bahco"), three other new business operations and the remaining 40% interest in MRIC for a net cash price of \$440.7 million. During 1998, the Corporation acquired full or partial ownership of five new business operations and an additional interest in a business for an aggregate cash purchase price of \$79.5 million. Pro forma results of operations for the Bahco acquisition are included in Note 2. Pro forma results of operations are not presented for all other acquisitions, as the effects of these acquisitions are not material individually or in aggregate.

In the first quarter of 1997, the Corporation acquired a 50% interest in the MRIC business at a purchase price of \$40.2 million. In the first quarter of 1998, the Corporation acquired an additional 10% interest in MRIC at a purchase price of \$10.1 million. In 1999, the Corporation acquired the remaining 40% interest in MRIC at a purchase price of \$51.0 million. In the fourth quarter of 1999, the Corporation sold a 15% interest in MRIC to Genuine Parts Company for \$21.3 million.

Goodwill and other intangibles arising from business acquisitions are included in Intangible and Other Assets in the accompanying Consolidated Balance Sheets and are being amortized over 13 to 40 years on a straight-line basis. Goodwill, net of accumulated amortization, was \$389.2 million and \$131.5 million at the end of 1999 and 1998. Goodwill amortization was \$11.8 million, \$8.5

million and \$6.9 million for 1999, 1998 and 1997. Accumulated amortization of goodwill was \$27.6 million and \$16.0 million at the end of 1999 and 1998. The Corporation continually evaluates the existence of goodwill impairment on the basis of whether the goodwill is fully recoverable from projected, undiscounted net cash flows of the related business unit. Should an impairment be identified, the loss would be measured as the difference between the current fair value of the asset and the carrying value. Intangibles also include patents and trademarks of \$64.1 million and \$41.0 million at year-end 1999 and 1998.

i. Research and engineering: Research and engineering costs are charged to expense in the year incurred. For 1999, 1998 and 1997, these costs were \$50.2 million, \$48.6 million and \$46.5 million.

j. Income taxes: Deferred income taxes are provided for temporary differences arising from differences in bases of assets and liabilities for tax and financial reporting purposes. Deferred income taxes are recorded on temporary differences at the tax rate expected to be in effect when the temporary differences reverse. For detailed tax information, refer to Note 7.

k. Foreign currency translation: The financial statements of the Corporation's foreign subsidiaries are translated into U.S. dollars in accordance with Statement of Financial Accounting Standards ("SFAS") No. 52, "Foreign Currency Translation." Net assets of certain foreign subsidiaries are translated at current rates of exchange, and income and expense items are translated at the average exchange rate for the year. The resulting translation

adjustments are recorded directly into a separate component of shareholders' equity. Certain other translation adjustments and transaction gains and losses are reported in net income and were not material in any year.

l. Revenue recognition: The Corporation recognizes revenues at the time that products are shipped or the time that services are performed. Franchise fee revenue is recognized as the fees are earned. Revenue from franchise fees was not material in any year. Subscription revenue is recognized over the life of the subscription.

m. Net finance income: Net finance income consists of installment contract income, dealer start-up loan receivable income, and gains on the sale of receivables, as well as origination fees paid by the LLC based on the volume of installment receivables originated by the LLC, net of related administrative expenses.

n. Advertising and promotion expense: Production costs of future media advertising are deferred until the advertising occurs. All other advertising and promotion costs are generally expensed when incurred.

o. Warranty expense policy: The Corporation provides product warranties for specific product lines and accrues for estimated future warranty costs in the period in which the sale was recorded.

p. Accounting standards: In June 1999, the Financial Accounting Standards Board ("FASB") issued SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities - Deferral of the Effective Date of FASB Statement No. 133." SFAS No. 137 defers the effective date of SFAS No. 133 for one year to fiscal years beginning after June 15, 2000. The Corporation is currently evaluating the impact of this pronouncement.

q. Reclassified prior-year amounts: Certain prior-year amounts have been reclassified to conform with current-year presentation.

r. Per share data: Basic earnings per share calculations were computed by dividing net earnings by the corresponding weighted average number of common shares outstanding for the period. The dilutive effect of the potential exercise of outstanding options to purchase common shares is calculated using the treasury stock method. Diluted earnings per share is the same as presented for basic earnings per share in periods where the effect is anti-dilutive (that is, the calculation results in increased earnings per share or reduces net loss per share). The Corporation had dilutive shares as of January 1, 2000, and January 3, 1998, of 383,200 and 840,841. As of January 2, 1999, the Corporation had shares that were anti-dilutive of 576,000 and are therefore not included in the 1998 calculations due to their anti-dilutive nature.

Note 2 Acquisition

On September 30, 1999, the Corporation acquired the Sandvik Saws and Tools business, formerly a wholly owned operating unit of Sandvik AB. The Sandvik Saws and Tools business now operates as the Bahco Group AB. Bahco is a manufacturer and supplier of professional tool products and employs approximately 2,400 people. Of those, approximately 1,000 employees are in Sweden. Products are manufactured at 11 plants in Sweden, Germany, Portugal, France, England, the United States and Argentina.

Notes to Consolidated Financial Statements (continued)

The acquisition is being accounted for as a purchase and the results of Bahco have been included in the accompanying consolidated financial statements since the date of acquisition. The total purchase price of approximately \$380 million includes the purchase of facilities, a number of brand names and trademarks, and certain other assets and liabilities. The

Corporation funded the acquisition through working capital and an expansion of an existing commercial paper credit facility.

A preliminary goodwill allocation in accordance with the criteria established under Accounting Principles Board ("APB") Opinion No. 16, "Business Combinations," has been performed. The cost of the acquisition has been allocated on the basis of the fair market value of the assets acquired and the liabilities assumed. This preliminary allocation results in goodwill of \$215 million being recorded. The purchase price allocation will be finalized during 2000 upon completion of asset valuations and any post-closing purchase price adjustments.

The preliminary allocation of the purchase price of \$380 million, which includes direct acquisition costs of approximately \$9 million, is as follows:

(Amounts in millions)	
Fair value of property and equipment	\$ 98
Fair value of patents and trademarks	25
Other net assets acquired	42
Goodwill	215
Purchase price	\$380

Assigned useful lives are as follows:

Patents	13 years
Trademarks	40 years
Goodwill	40 years

The following unaudited pro forma summary gives effect to the acquisition of Bahco as if the acquisition had occurred on January 1, 1998, after giving effect to certain adjustments for depreciation, amortization, interest expense, and income taxes associated with the purchase method of accounting as performed at the time of the acquisition. The unaudited pro forma summary is based on historical financial data and on assumptions and adjustments that may be inherently subject to significant uncertainty and contingencies. It can be expected that some or all of the assumptions on which the following unaudited pro forma summary is based will prove to be inaccurate. As a result, the unaudited pro forma summary does not purport to represent what the Corporation's results of operations would have been if the acquisition of Bahco had occurred on January 1, 1998, and is not intended to project the Company's results of operations for any future period. The final purchase price allocation, when completed in 2000, will result in changes to the amount of recorded assets and goodwill included in the pro forma amounts.

(Amounts in thousands except per share data)	1999	1998
Net sales:		
As reported	\$1,945,621	\$1,772,637
Pro forma (unaudited)	2,174,567	2,096,545
Net earnings (loss):		
As reported	\$ 127,227	\$ (4,779)
Pro forma (unaudited)	123,709	(482)
Earnings (loss) per share - basic:		
As reported	\$ 2.18	\$ (.08)
Pro forma (unaudited)	2.11	(.01)
Earnings (loss) per share - diluted:		
As reported	\$ 2.16	\$ (.08)
Pro forma (unaudited)	2.10	(.01)

The components of the Corporation's inventory were as follows:

(Amounts in thousands)	1999	1998
Finished stock	\$418,490	\$359,358
Work in process	47,869	38,357
Raw materials	81,856	74,192
Excess of current cost over LIFO cost	(93,374)	(96,471)
Total inventory	\$454,841	\$375,436

Note 4 Property and Equipment

The Corporation's property and equipment values, which are carried at cost, were as follows:

(Amounts in thousands)	1999	1998
Land	\$ 26,753	\$ 19,572
Buildings and improvements	207,959	175,385
Machinery and equipment	454,089	388,862
	688,801	583,819
Less: accumulated depreciation	(326,203)	(311,789)
Property and equipment - net	\$362,598	\$272,030

The estimated service lives of property and equipment are principally as follows:

Buildings and improvements	3 to 50 years
Machinery and equipment	2 to 15 years
Computer software	2 to 7 years
Transportation vehicles	2 to 6 years

Note 5 Receivables

Accounts receivable include installment receivable amounts that are due beyond one year from balance sheet dates. These amounts were approximately \$8.5 million and \$16.5 million at the end of 1999 and 1998. Gross installment receivables amounted to \$98.4 million and \$176.9 million at the end of 1999 and 1998. Of these amounts, \$16.0 million and \$17.3 million represented unearned finance charges at the end of 1999 and 1998.

On January 3, 1999, the Corporation established a joint venture with Newcourt to provide financial services to the Corporation's global dealer and customer network through a limited liability company known as Snap-on Credit LLC ("the LLC"). As a result of the establishment of the joint venture, the Corporation effectively outsourced to the LLC its captive credit function. The captive credit function was previously managed by the Corporation's wholly owned subsidiary, Snap-on Credit Corporation.

The LLC is the preferred provider of financial services to the Corporation's global dealer and customer network. The Corporation receives income from fees paid by the LLC. The fees are based primarily upon the volume of installment receivables originated by the LLC. Newcourt provides services and

expertise to the LLC with a view toward increasing originations by the LLC. Newcourt is paid a fee by the LLC for such services. The management fee paid to Newcourt is also based primarily on the volume of installment receivables originated by the LLC. Newcourt receives warehousing and securitization fees from the LLC in connection with the purchased receivables.

On January 4, 1999, CreditCorp SPC, LLC ("CreditCorp"), whose sole member is Snap-on Financial Services, Inc., repurchased previously sold loans from a third-party financial institution and then sold to Newcourt this entire pool of \$337.0 million of interest-bearing installment accounts receivable and \$68.3 million of dealer finance loan receivables. In addition, in a separate transaction, CreditCorp sold to Newcourt its entire remaining on-balance sheet portfolio of U.S. installment accounts receivable, including existing extended credit installment receivables, equipment lease receivables and dealer loan receivables, for an aggregate sale price of \$141.1 million, resulting in a pre-tax gain of approximately \$40 million. Newcourt has the right to put back to the Corporation the unpaid portion of the extended credit installment receivable portfolio based on the same pricing formula. As a result, this gain is being recognized over a two-year period. The Corporation continues to provide financing internationally through its dealer and customer network.

Prior to January 4, 1999, and since 1997, CreditCorp sold to various financial institutions, under agreements, dealer loan receivables, extended credit installment receivables and equipment lease receivables that were secured by the underlying inventory, tools or equipment financed. Generally, the recourse provisions for securitizations as they existed at year-end required the Corporation to provide for the deficiency, if any, that results from the repossession and subsequent sale of collateral in a default situation. The Corporation does not receive collateral from any party to the securitizations, nor does it have any risk of counterparty non-performance.

During 1998, the Corporation sold the U.S. equivalent of \$29.4 million of secured dealer loan receivables, \$54.1 million of equipment lease receivables with no recourse, and \$27.6 million of equipment lease receivables with limited recourse to third-party financial institutions.

During 1997, the Corporation sold the U.S. equivalent of \$31.5 million of secured dealer loan receivables, \$50.9 million of equipment lease receivables with no recourse, and \$86.7 million of equipment lease receivables with limited recourse to third-party financial institutions.

CreditCorp had entered into a facility that provided for the sale, with limited recourse, of an undivided interest in a pool of secured extended credit installment receivables to a third-party financial institution. At the end of 1998 and 1997, \$337.0 million and \$300.0 million of interest-bearing installment receivables were outstanding under this facility on a revolving basis. The agreement for revolving purchases terminated in January 1999.

All transactions were reflected as sales of accounts receivable in the accompanying Consolidated Balance Sheets and as increases to operating cash flows in the accompanying Consolidated Statements of Cash Flows. The gains on these sales are included in net finance income on the accompanying Consolidated Statements of Earnings.

Notes to Consolidated Financial Statements (continued)

Note 6 Short-term and Long-term Debt

Notes payable to banks under bank lines of credit totaled \$17.9 million and \$34.9 million at the end of 1999 and 1998.

Commercial notes payable totaled \$498.7 million and \$156.0 million at the end of 1999 and 1998. At the end of 1999, this payable was classified as long-term debt, since it is the Corporation's intent, and it has the ability (supported by \$600.0 million of long-term revolving credit facilities), to refinance the debt on a long-term basis. In 1998, the first \$100.0 million of commercial notes payable was classified as long-term debt, and the remainder was considered short-term debt.

In August 1999, the Corporation arranged \$600 million of multicurrency revolving credit facilities to support its commercial paper program. A \$200 million revolving credit facility is effective for a five-year term and terminates on August 23, 2004. A \$400 million credit facility is a 364-day facility with a one-year term-out option that terminates on August 23, 2000. The term-out option allows the Corporation to elect to borrow under the credit facility for an additional year after the termination date. At the end of 1999 and 1998, the Corporation was in compliance with all covenants of the revolving credit facilities, and there were no borrowings under either revolving credit commitment.

The average commercial paper and bank notes outstanding was \$243.0 million in 1999 and \$165.2 million in 1998. The weighted average interest rate on these instruments was 5.3% in 1999 and 5.6% in 1998. As of January 1, 2000, and January 2, 1999, commercial paper and bank notes outstanding had a weighted average interest rate of 6.0% and 6.3%.

The Corporation's long-term debt consisted of the following:

(Amounts in thousands)	1999	1998
Senior unsecured indebtedness	\$100,000	\$100,000
Borrowings supported by a revolving credit commitment	498,725	100,000
Canadian long-term debt	-	39,210
Other long-term debt	13,143	9,679
	611,868	248,889
Less: current maturities	(4,392)	(2,245)
Total long-term debt	\$607,476	\$246,644

The annual maturities of the Corporation's long-term debt due in the next five years are \$4.4 million in 2000, \$303.2 million in 2001, \$2.6 million in 2002, \$1.6 million in 2003, and \$200.0 million in 2004.

In September 1994, the Corporation filed a registration statement with the Securities and Exchange Commission that allows the Corporation to issue from time to time up to \$300.0 million of unsecured indebtedness. In October 1995, the Corporation issued \$100.0 million of its notes to the public. The notes require payment of interest on a semiannual basis at a rate of 6.625% and mature in their entirety on October 1, 2005. The proceeds of this issuance were used to repay a portion of the Corporation's outstanding commercial paper and for working capital and general corporate purposes.

At the end of 1998, the Corporation had a Cdn\$60.0 million (equivalent of U.S. \$39.2 million) five-year floating rate loan outstanding. The loan requires payment of interest quarterly based on the Canadian Bankers Acceptance rate plus 17.5 basis points. This loan was paid off during the fourth quarter of 1999.

Interest payments on debt and on other interest-bearing obligations were \$27.4 million, \$20.9 million and \$17.5 million for 1999, 1998 and 1997.

Note 7 Income Taxes

Earnings before income taxes consisted of the following:

(Amounts in thousands)	1999	1998	1997
U.S.	\$171,538	\$ (12,128)	\$210,966
Foreign	26,399	22,968	27,710
Total	\$197,937	\$ 10,840	\$238,676

The provision for income taxes consisted of the following:

(Amounts in thousands)	1999	1998	1997
Current:			
Federal	\$38,189	\$31,516	\$60,551
Foreign	13,945	8,078	7,555
State	5,411	3,701	8,390
Total current	57,545	43,295	76,496
Deferred:			
Federal	9,750	(25,067)	8,493
Foreign	1,428	769	1,865
State	1,987	(3,378)	1,456
Total deferred	13,165	(27,676)	11,814
Total income tax provision	\$70,710	\$15,619	\$88,310

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A reconciliation of the Corporation's effective income tax rate to the statutory federal tax rate follows:

	1999	1998	1997
Statutory federal income tax rate	35.0%	35.0%	35.0%
Increase (decrease) in tax rate resulting from:			
State income taxes, net of federal benefit	2.4	3.0	2.8
Foreign sales corporation tax benefit	(1.2)	(1.7)	(1.2)
Restructuring and other non-recurring charges	(0.3)	108.1	-
Other	(0.2)	(0.3)	0.4
Effective tax rate	35.7%	144.1%	37.0%

Temporary differences that give rise to the net deferred tax benefit are as follows:

(Amounts in thousands)	1999	1998	1997
Current deferred income tax benefits:			
Inventories	\$ 18,366	\$ 21,309	\$ 18,294
Accruals and reserves not currently deductible	32,796	24,702	26,820
Restructuring and other non-recurring accruals	3,431	23,379	-
Other	4,987	(2,551)	(491)
Total current (included in prepaid expenses)	59,580	66,839	44,623
Long-term deferred income tax benefits:			
Employee benefits	66,672	61,870	61,017
Net operating losses	27,593	38,300	23,277

Depreciation	(41,645)	(21,721)	(22,363)
Restructuring and other non-recurring accruals	(3,034)	2,638	-
Other	2,228	(1,163)	(3,398)
Valuation allowance	(24,151)	(29,372)	(14,658)

Total long-term	27,663	50,552	43,875

Net deferred income tax benefit	\$ 87,243	\$117,391	\$ 88,498
=====			

At January 1, 2000, the Corporation had tax net operating loss carryforwards ("NOLs") totaling \$82.4 million as follows:

(Amounts in millions)	U.S.	Foreign	Total

Year of expiration:			
2000 - 2002	\$ -	\$ 8.0	\$ 8.0
2003 - 2006	21.4	9.4	30.8
2007 - 2011	-	0.1	0.1
Indefinite	-	43.5	43.5

	\$21.4	\$61.0	\$82.4
=====			

A valuation allowance totaling \$24.2 million, \$29.4 million and \$14.7 million in 1999, 1998 and 1997 has been established for deferred income tax benefits related to certain subsidiary loss carryforwards that may not be realized. Included in this valuation allowance is \$3.3 million that relates to the deferred tax assets recorded from acquisitions. Any tax benefits subsequently recognized for these deferred tax assets will be allocated to goodwill.

Realization of the net deferred tax assets is dependent on generating sufficient taxable income prior to their expiration. Although realization is not assured, management believes it is more likely than not that the net deferred tax asset will be realized. The amount of the net deferred tax asset considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carryforward period are reduced.

The undistributed earnings of all subsidiaries were \$112.8 million, \$121.7 million and \$117.0 million at the end of 1999, 1998 and 1997. The Corporation does not expect that additional income taxes will be incurred on future distributions of such earnings and no deferred income taxes have been provided for the distribution of these earnings to the parent company.

The Corporation made income tax payments of \$26.4 million, \$66.2 million and \$76.0 million in 1999, 1998 and 1997.

Note 8 Financial Instruments

The Corporation uses derivative instruments to manage well-defined interest rate and foreign currency exposures. The Corporation does not use derivative instruments for 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.

FOREIGN CURRENCY DERIVATIVE INSTRUMENTS: The Corporation has operations in a number of countries and has intercompany transactions among them and, as a result, is exposed to changes in foreign currency exchange rates. The Corporation manages most of these exposures on a consolidated basis, which allows netting certain exposures to take advantage of any natural offsets. To the extent the net exposures are hedged, forward contracts are used. Gains

and/or losses on these foreign currency hedges are included in income in the period in which the exchange rates change. Gains and/or losses have not been material to the consolidated financial statements.

Notes to Consolidated Financial Statements (continued)

At January 1, 2000, the Corporation had outstanding foreign exchange forward contracts totaling \$194.1 million comprising \$107.2 million in euros, \$48.9 million in British pounds, \$15.7 million in Canadian dollars, \$18.1 million in Swedish kronor, \$2.3 million in Singaporean dollars, \$1.2 million in Australian dollars, and \$0.7 million in Norwegian kroner. At January 2, 1999, the Corporation had outstanding foreign exchange forward contracts totaling \$113.9 million comprising \$23.0 million in British pounds, \$10.0 million in Canadian dollars, \$21.7 million in German marks, \$3.5 million in Spanish pesetas, \$5.9 million in French francs, \$21.5 million in Italian liras, \$12.1 million in Dutch guilders, \$3.7 million in Australian dollars, \$2.7 million in Singaporean dollars, and \$9.8 million in Irish punts.

INTEREST RATE SWAP AGREEMENTS: The Corporation enters into interest rate swap agreements to manage interest costs and risks associated with changing interest rates. The differentials paid or received on interest rate agreements are accrued and recognized as adjustments to interest expense. Gains and/or losses realized upon settlement of these agreements are deferred and amortized to interest expense over a period relevant to the agreement if the underlying hedged instrument remains outstanding, or immediately if the underlying hedged instrument is settled.

The Corporation has interest rate swap agreements in place to pay fixed interest rates in exchange for floating interest rate payments. At January 1, 2000, and January 2, 1999, the notional principal amount outstanding of these agreements was \$100.0 million and \$167.0 million.

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

While the Corporation sells primarily to professional technicians and shop owners, the Corporation's accounts receivable do not represent significant concentrations of credit risk because of the diversified portfolio of individual customers and geographic areas.

FAIR VALUE OF FINANCIAL INSTRUMENTS: SFAS No. 107, "Disclosure about Fair Value of Financial Instruments," requires the Corporation to disclose the fair value of financial instruments for both on- and off-balance sheet assets and liabilities for which it is practicable to estimate that value. The following methods and assumptions were used in estimating the fair value for financial instruments:

Installment contracts: A discounted cash flow analysis was performed over the average life of a contract using a discount rate currently available to the Corporation adjusted for credit quality, cost and profit factors. As of January 1, 2000, and January 2, 1999, the fair value was approximately \$93.0 million and \$168.9 million versus a book value of \$82.4 million and \$159.6 million.

Interest rate swap agreements: The fair value of the agreements was based on a quote from the financial institution with which the Corporation executed the transactions. As of January 1, 2000, the Corporation would have realized a gain of \$1.3 million upon termination of the agreements. As of January 2, 1999, the Corporation would have realized a loss of \$6.1 million upon termination of the agreements.

All other financial instruments: The carrying amounts approximate fair value based on quoted market prices or discounted cash flow analysis for cash equivalents, debt, forward exchange contracts and other financial instruments.

Note 9 Pension Plans

The Corporation has several noncontributory pension plans covering most U.S. employees and certain employees in foreign countries. The Corporation also has foreign contributory plans covering certain foreign employees. Retirement benefits are generally provided based on employees' years of service and average earnings or stated amounts for years of service. Normal retirement age is 65, with provisions for earlier retirement. The Corporation recognizes retirement plan expenses in accordance with SFAS No. 87, "Employers' Accounting for Pensions," and contributes amounts to the plans, with most using the actuarially computed entry age normal cost method, which includes, in certain defined retirement benefit plans, amortization of past service cost over a maximum of 30 years.

The Corporation has several non-U.S. subsidiary pension plans that do not report pension expense in accordance with SFAS No. 87, as these plans and the related pension expense are not material.

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The Corporation's net pension expense included the following components:

(Amounts in thousands)	1999	1998	1997
Service cost - benefits			
earned during year	\$ 18,744	\$ 15,865	\$ 14,630
Interest cost on projected benefits	33,996	29,653	28,047
Less: actual return on plan assets	(37,235)	(39,551)	(76,768)
Curtailment gain	(3,277)	(2,731)	-
Net amortization and deferral:			
Actual return on plan assets in excess of projected return	(599)	5,532	46,641
Amortization of net assets at transition	(1,207)	(1,268)	(1,193)
Other	1,317	1,096	1,170
Net pension expense	\$ 11,739	\$ 8,596	\$ 12,527

The status of the Corporation's pension plans was as follows:

(Amounts in thousands)	1999	1998
Change in projected benefit obligation		
Benefit obligation at beginning of year	\$ 492,076	\$405,666
Service cost	18,744	15,865
Interest cost	33,996	29,653
Plan amendments	1,415	1,159
Benefits paid	(20,275)	(19,264)
Plan participant contributions	387	461
Curtailment gain	(3,277)	(2,731)
Effect of plan reorganizations	4,718	-
Effect of business acquisitions	26,995	-
Effect of divestitures	(2,935)	-
Actuarial (gain) loss	(60,471)	61,267
Benefit obligation at end of year	491,373	492,076

Change in plan assets		
Fair value of plan assets at beginning of year	503,962	467,835
Actual return on plan assets	36,320	48,212
Contributions by employer	6,680	6,718
Contributions by plan participants	387	461
Effect of plan reorganizations	4,401	-
Effect of business acquisitions	(1,740)	-
Effect of divestitures	(3,421)	-
Benefits paid	(19,849)	(19,264)

Fair value of plan assets at end of year	526,740	503,962

Funded status	35,367	11,886
Unrecognized net assets at year-end	(3,925)	(4,757)
Unrecognized net gain from experience different than assumed	(130,305)	(76,530)
Unrecognized prior service cost	9,456	9,272

Net amount recognized	\$ (89,407)	\$ (60,129)
=====		

(Amounts in thousands)	1999	1998

Amounts recognized in the consolidated balance sheets consist of:		
Prepaid benefit cost	\$ 19,665	\$ 16,383
Accrued benefit liability	(112,161)	(79,532)
Intangible asset	407	480
Accumulated other comprehensive income	2,682	2,540

Net amount recognized	\$ (89,407)	\$ (60,129)
=====		

The weighted average rate assumptions used in determining pension costs and the projected benefit obligation were:

	1999	1998

Discount rate used to determine present value of projected benefit obligation at end of year	7.4%	7.0%
Expected long-term rate of return on plan assets for the year	9.3%	9.0%
Expected rate of increase in future compensation levels	4.9%	5.0%

Plan assets are stated at market value and primarily consist of corporate equities and various debt securities.

The Corporation has pension plans in which the accumulated benefit obligation exceeds the fair value of plan assets. At the end of 1999 and 1998, the Corporation had two such plans with an aggregate accumulated benefit obligation of \$15.1 million and \$13.3 million with no plan assets.

Note 10 Retiree Health Care

The Corporation provides certain health care benefits for most retired U.S. employees. The majority of the Corporation's U.S. employees become eligible for those benefits if they reach early retirement age while working for the Corporation; however, the age and service requirements for eligibility under the plans have been increased for certain employees hired on and after specified dates since 1992. Generally, most plans pay stated percentages of covered expenses after a deductible is met. There are several plan designs, with more recent retirees being covered under a comprehensive major medical plan. In

determining benefits, the plans take into consideration payments by Medicare and other coverages.

For employees retiring under the comprehensive major medical plans, contributions are required, and these plans contain provisions allowing for benefit and coverage changes. The plans require retirees to contribute either the full cost of the coverage or amounts estimated to exceed a capped per-retiree annual cost commitment by the Corporation. Most employees hired since 1994 are required to pay the full cost. The Corporation does not fund the retiree health care plans.

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Notes to Consolidated Financial Statements (continued)

The Corporation recognizes postretirement health care expense in accordance with SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other than Pensions."

The Corporation's net postretirement health care benefits expense included the following components:

(Amounts in thousands)	1999	1998	1997
Net periodic cost			
Service cost - benefits attributed to service during the period	\$2,012	\$1,966	\$1,945
Interest cost on accumulated postretirement benefit obligation	5,900	5,494	5,467
Curtailement gain	(206)	(403)	-
Amortization of unrecognized net gain	(71)	(572)	(527)
Net postretirement health care expense	\$7,635	\$6,485	\$6,885

The status of the Corporation's U.S. postretirement plans was as follows:

(Amounts in thousands)	1999	1998
Change in projected benefit obligation		
Benefit obligation at beginning of year	\$ 83,551	\$ 77,780
Service cost	2,012	1,966
Interest cost	5,900	5,494
Plan participants' contributions	1,020	656
Benefits paid	(6,135)	(4,378)
Curtailement gain	(206)	(403)
Actuarial loss	(2,988)	2,436
Benefit obligation at end of year	83,154	83,551
Change in plan assets		
Fair value of plan assets at beginning of year	-	-
Plan participants' contributions	1,020	656
Contributions by employer	5,115	3,722
Benefits paid	(6,135)	(4,378)
Fair value of plan assets at end of year	-	-
Funded status	(83,154)	(83,551)
Unrecognized actuarial gain	(12,949)	(10,032)
Postretirement liability	\$ (96,103)	\$ (93,583)

=====

The accumulated postretirement benefit obligation at the end of 1999 consists of a current liability of \$4.7 million and a long-term liability of \$91.4 million. The weighted average discount rate used in determining the accumulated postretirement benefit obligation was 7.5% at the end of 1999 and 7.0% at the end of 1998.

The actuarial calculation assumes a health care trend rate of 7.0% in 2000, decreasing gradually to 4.5% in the year 2005 and thereafter.

As of January 1, 2000, a one percentage point increase in the health care cost trend rate for future years would increase the accumulated postretirement benefit obligation by \$1.2 million and the service cost and interest cost components by \$0.1 million. Conversely, a one percentage point decrease in the health care cost trend rate for future years would decrease the accumulated postretirement benefit obligation by \$1.1 million and the service cost and interest cost components by \$0.1 million.

Note 11 Stock Options and Purchase Plans

The Corporation has a stock option plan for directors, officers and key employees, with expiration dates on the options ranging from 2000 to 2009. The plan provides that options be granted at exercise prices equal to market value on the date the option is granted. Under the plan, certain executives received restricted stock or share units with vesting tied to the meeting of certain Project Simplify initiatives.

Non-employee directors receive a mandatory minimum of 50% and an elective maximum of up to 100% of their fees and retainer in shares of the Corporation's stock. Directors may elect to defer receipt of all or part of these shares. For 1999, 1998 and 1997, shares issued under the Directors' Fee Plan totaled 5,846, 5,060 and 3,008. Additionally, receipt of 6,886, 3,951 and 3,226 shares was deferred in 1999, 1998 and 1997. At January 1, 2000, shares totaling 246,353 were reserved for issuance to directors under this plan.

Employees of the Corporation are eligible to participate in an employee stock ownership plan. The purchase price of the common stock is the lesser of the mean of the high and low price of the stock on the beginning date (May 15) or ending date (May 14) of each plan year. For 1999, 1998 and 1997, shares issued under the employee stock ownership plan totaled 53,082, 81,114 and 120,978. At January 1, 2000, shares totaling 656,409 were reserved for issuance to employees under this plan, and the Corporation held contributions of approximately \$1.2 million for the purchase of common stock.

Franchised dealers are eligible to participate in a dealer stock ownership plan. The purchase price of the common stock is the lesser of the mean of the high and low price of the stock on the beginning date (May 15) or ending date (May 14) of each plan year. For 1999, 1998 and 1997, shares issued under the dealer stock ownership plan totaled 65,630, 117,825 and 133,679. At January 1, 2000, shares totaling 447,529 were reserved for issuance to franchised dealers under this plan, and the Corporation held contributions of approximately \$1.9 million for the purchase of common stock.

Under the dividend reinvestment and stock purchase plan, participating shareholders may invest the cash dividends from all or a portion of their common stock to buy additional shares. The program also permits new investors and current shareholders to make additional contributions. For 1999, 1998 and 1997, shares issued under the dividend reinvestment and stock purchase plan totaled 38,809, 33,620 and 19,764. At January 1, 2000, shares totaling 1,906,661 were available for purchase under this plan.

The Corporation continues to account for stock-based compensation plans in accordance with APB Opinion No. 25. The fair value of each option grant was estimated as of the date of grant using an option pricing model. The Corporation used the following weighted average assumptions, under the Black-Scholes option pricing model, for options granted in 1999, 1998 and 1997: expected volatility of 32.1%, 21.2% and 17.9%; risk-free interest rates of 4.7%, 5.5% and 6.4%; dividend yield of 2.5%, 2.5% and 2.8%; and expected option lives of 5.6 years, 5.8 years and 5.8 years. If the Corporation had elected to recognize compensation cost for stock-based compensation consistent with the methodology prescribed by SFAS No. 123, net earnings (loss) and earnings (loss) per share for 1999, 1998 and 1997 would have changed to the following pro forma amounts:

(Amounts in thousands except per share data)	1999	1998	1997
Net earnings (loss):			
As reported	\$127,227	\$ (4,779)	\$150,366
Pro forma	122,778	(7,896)	148,354
Earnings (loss) per share - diluted:			
As reported	\$ 2.16	\$ (.08)	\$ 2.44
Pro forma	2.09	(.13)	2.41

Stock option activity was as follows:

	1999 ----		1998 ----		1997 ----	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Outstanding at beginning of period	2,398,136	\$29.21	2,114,228	\$25.37	2,007,423	\$21.90
Granted	785,800	34.41	585,950	39.77	480,125	37.13
Exercised	(132,254)	22.27	(280,020)	21.84	(364,802)	21.64
Canceled	(74,215)	31.86	(22,022)	34.74	(8,518)	31.24
Outstanding at end of period	2,977,467	\$30.83	2,398,136	\$29.21	2,114,228	\$25.37
Exercisable at end of period	1,982,416	\$28.31	1,641,296	\$24.71	1,663,253	\$22.18
Available for grant at end of period	1,796,233		2,507,818		3,071,746	

As calculated using the Black-Scholes option pricing model, the weighted average fair value of options granted during the years ended January 1, 2000, January 2, 1999, and January 3, 1998, were \$9.64, \$8.92 and \$7.86. The following table summarizes information about stock options outstanding as of January 1, 2000:

	1999 Options Outstanding			1999 Options Exercisable	
	Number Outstanding	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
Range of Exercise Prices					
\$19 to \$25	1,122,283	3.4	\$21.38	1,122,283	\$21.38
\$25 to \$31	53,059	6.1	29.84	53,059	29.84
\$31 to \$38	1,250,425	8.1	35.33	513,075	36.54
\$38 to \$46	551,700	8.1	39.95	293,999	40.15
Totals	2,977,467	6.3	\$30.83	1,982,416	\$28.31

Since 1995, the Corporation has undertaken stock repurchases from time to time to prevent dilution created by shares issued for employee and dealer stock purchase plans, stock options and other corporate purposes, as well as to repurchase shares when market conditions are favorable. At its January 1999 meeting, the board of directors authorized the repurchase of up to \$50.0 million of the Corporation's common stock. This action followed the board's authorization in 1998 to repurchase up to \$100.0 million of common stock and its authorization in 1997 for up to \$100.0 million of common stock. At the end of 1999, all of the 1999 authorization and substantially all of the 1998 authorization remained available. The Corporation repurchased 492,800 shares of its common stock in 1999, 2,279,400 shares in 1998 and 986,333 shares in 1997. Since 1995, the Corporation has repurchased 8,570,083 shares.

The board of directors declared on August 22, 1997, a dividend distribution of one preferred stock purchase right for each share of the Corporation's outstanding common stock. The rights are exercisable only if a person or group acquires 15% or more of the Corporation's common stock ("Acquiring Person") or publicly announces a tender offer to become an Acquiring Person. Each right may then be exercised to purchase one one-hundred-and-fiftieth of a share of Series A Junior Preferred Stock for \$190, but if a person or group becomes an Acquiring Person, then each right entitles the holder (other than an Acquiring Person) to acquire common stock of the Corporation having a market value equivalent to two times the current purchase price. If the Corporation is acquired in a merger or other business combination not approved by the board of directors, then each holder of a right will be entitled to purchase common stock of the surviving company having a market value equivalent to two times the current purchase price. The effect of the rights is to cause ownership dilution to a person or group attempting to acquire the Corporation without approval of the Corporation's board of directors. The rights expire on November 3, 2007, and may be redeemed by the Corporation at a price of \$.01 per right under certain circumstances.

The Corporation created a Grantor Stock Trust ("GST") in 1998 that was subsequently amended. In conjunction with the formation of the GST, the Corporation sold 7.1 million shares of treasury stock to the GST. The sale of these shares had no net impact on shareholders' equity or on the Corporation's Consolidated Statements of Earnings. The GST is a funding mechanism for certain benefit programs and compensation arrangements, including the incentive stock program and employee and franchised dealer stock purchase plans. The Northern Trust Company, as trustee of the GST, will vote the common stock held by the GST based on the terms set forth in the GST Agreement as amended. The GST is recorded as Grantor Stock Trust at Fair Market Value on the accompanying Consolidated Balance Sheets. Shares owned by the GST are accounted for as a reduction to shareholders' equity until used in connection with employee benefits. Each period, the shares owned by the GST are valued at the closing market price, with corresponding changes in the GST balance reflected in additional paid-in capital. At January 1, 2000, the GST held 6,677,450 shares of common stock.

Note 13 Commitments and Contingencies

The Corporation has entered into certain operating lease agreements on facilities and computer equipment, which extend for varying amounts of time.

The Corporation's lease commitments require future payments as follows:

Year Ending	(Amounts in thousands)
2000	\$26,989
2001	18,227
2002	12,655
2003	9,135
2004	6,873
2005 and thereafter	20,454

Rent expense for worldwide facilities and computer equipment was \$26.7 million, \$22.7 million and \$18.6 million in 1999, 1998 and 1997.

Tejas Testing Technology One, L.C. and Tejas Testing Technology Two, L.C. ("the Tejas Companies"), former subsidiaries of the Corporation, previously entered into contracts with the Texas Natural Resources Conservation Commission ("TNRCC"), an agency of the state of Texas, to perform automotive emissions testing services. The Corporation guaranteed payment ("the Guaranty") of the Tejas Companies' obligations under a seven-year lease agreement in the amount of approximately \$98.8 million plus an interest

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factor, pursuant to which the Tejas Companies leased the facilities necessary to perform the contracts. The Guaranty was assigned to the lessor's lenders. The Tejas Companies agreed to indemnify the Corporation for any payments it must make under the Guaranty.

The state of Texas subsequently terminated the emissions program and the Tejas Companies filed for bankruptcy. Under a settlement agreement approved by the U.S. Bankruptcy Court, the Corporation received \$18.2 million in 1998, leaving a net receivable balance of \$37.0 million. In September 1999, the Corporation received a \$36.0 million cash payment in early and final settlement. As a result, the Corporation recorded a non-recurring \$1.0 million charge against the \$37.0 million net receivable previously included in the Consolidated Balance Sheets under Other Assets.

In April 1996, the Corporation filed a complaint against SPX Corporation alleging infringement of the Corporation's patents and asserting claims relating to SPX's hiring of the former president of Sun Electric. SPX filed a counterclaim, alleging infringement of certain SPX patents. Upon the Corporation's request for reexamination, the U.S. Patent and Trademark Office initially rejected SPX's patents as invalid, but recently reconfirmed them. Neither the complaint nor the counterclaim contains specific allegations of damages; however, the parties' claims could involve multiple millions of dollars. It is not possible at this time to assess the outcome of any of the claims.

The Corporation is involved in various legal matters, which are being defended and handled in the ordinary course of business. Although it is not possible to predict the outcome of these matters, management believes that the results will not have a material impact on the Corporation's financial statements.

Note 14 Restructuring

In the third quarter of 1998, the Corporation's board of directors approved Project Simplify, a broad program of internal rationalizations, consolidations and reorganizations to make the Corporation's business operations simpler and more effective.

The expected \$185 million in total charges for the 18-month program included the cost of closing facilities, employee severance costs associated with a reduction in staffing, impaired asset write-downs, costs to revalue discontinued stock keeping units ("SKUs"), legal matters and other non-recurring costs. The Corporation expected to realize annual cost savings of approximately \$60 million from the initiative, with one-half of the savings expected to be realized in 1999.

Project Simplify was essentially completed and fully provided for as of January 1, 2000. The Corporation achieved its original targets of closing 60 facilities, eliminating approximately 1,100 positions and discontinuing more than 12,000 SKUs of inventory, along with the consolidation of certain business units. Total charges for Project Simplify, which are composed of restructuring charges and other non-recurring charges, amounted to \$187.1 million. This amount

consists of \$67.1 million of restructuring charges and \$120.0 million of other non-recurring charges.

The Corporation recorded in its Consolidated Statements of Earnings, \$37.2 million in 1999 and \$149.9 million in 1998 in pre-tax charges related to Project Simplify actions.

During 1999, the Corporation recorded net pre-tax charges of \$37.2 million. This charge consists of \$43.2 million of additional other non-recurring charges, partially offset by \$6.0 million of previously recorded restructuring reserves, which were no longer needed and reversed.

The composition of the Corporation's restructuring charge activity for the year ended January 1, 2000, was as follows:

(Amounts in thousands)	Restructuring Reserves as of January 2, 1999	Reversal of Reserves	Cash Payments	Restructuring Reserves as of January 1, 2000
Expenditures for severance and other exit costs	\$16,505	\$ (902)	\$ (11,103)	\$4,500
Charges for warranty provisions	9,660	(5,065)	(4,595)	-
Total restructuring reserves	\$26,165	\$(5,967)	\$(15,698)	\$4,500

Notes to Consolidated Financial Statements (continued)

As part of the Corporation's restructuring efforts, charges of \$15.5 million were recorded in 1998 for severance and \$7.6 million for non-cancelable lease agreements on facilities to be closed and other exit costs associated with Project Simplify. As of January 1, 2000, 1,029 employees of an estimated 1,100 have separated from the Corporation, and severance payments of \$7.1 million were made during 1999. Severance costs for worldwide salaried and hourly employees relate to facility closures, elimination of staffing redundancies and operational streamlining. The elimination of the remaining positions is expected by the end of the first quarter of 2000. As of January 1, 2000, the Corporation has remaining restructuring reserves of \$4.5 million for expected severance, non-cancelable lease agreements on facilities to be closed and other exit costs.

Also, as part of the restructuring efforts, the Corporation recorded a charge in the amount of \$9.7 million in 1998 to provide additional warranty support, at no cost to the customer, for products already sold, relating to the elimination of discontinued business units and their product lines. During 1999, the Corporation made \$4.6 million in cash payments under these warranties. The extended warranty period expired in 1999 and the remaining reserve of \$5.1 million was reversed. The warranty reserve has been included in Cost of Goods Sold - Discontinued Products, while all remaining restructuring charges have been included in Restructuring and Other Non-recurring Charges on the accompanying Consolidated Statements of Earnings.

As part of Project Simplify, the Corporation recorded other non-recurring charges in the amount of \$120.0 million. These charges include the elimination of \$55.7 million of discontinued SKUs of inventory, costs to resolve certain legal matters in the amount of \$18.7 million, which represents attorneys' fees and, in some cases, the likely cost to settle certain disputes which predated the commencement of Project Simplify, the discontinuance of an emissions-testing equipment line of \$16.9 million and other non-recurring costs in the amount of \$28.7 million.

During 1999, the Corporation recorded other non-recurring charges of \$43.2 million. A total of \$4.8 million was recorded for the discontinuance of SKUs of inventory. This initiative is an effort to reduce the transaction costs and working capital intensity of the Corporation's product offering and refocus

on high-volume growth products. The Corporation also recorded \$16.9 million in charges for the discontinuance of an emissions-testing equipment line as part of the Corporation's refocus on high-volume growth products.

In 1999, additional other non-recurring charges in the amount of \$21.5 million consisted of employee incentives of \$1.5 million, relocation costs of \$10.9 million and professional services of \$9.1 million. In 1998, additional other non-recurring charges in the amount of \$7.2 million consisted of \$2.5 million of accelerated depreciation of computer equipment that was abandoned during the fourth quarter, employee incentives of \$1.0 million, relocation costs of \$1.2 million and professional services of \$2.5 million. The non-recurring charges related to the reduction of SKUs and discontinuance of product lines have been included as part of Cost of Goods Sold - Discontinued Products, while the remaining non-recurring charges have been included in Restructuring and Other Non-recurring Charges on the accompanying Consolidated Statements of Earnings.

Note 15 Segments

During 1999, the Corporation adopted a new management organization structure, which changed the manner in which the Corporation reports its operating segments. The information for 1998 and 1997 has been restated from the prior years' presentation in order to conform to the 1999 presentation.

The Corporation's segments are based on the new organization structure that is used by management for making operating and investment decisions and for assessing performance. Based on this management approach, the Corporation has two reportable segments: Global Transportation and Global Operations. The Global Transportation segment consists of the Corporation's business operations serving the dealer van channel worldwide. The Global Operations segment consists of the business operations serving the direct sales and distributor channels worldwide. These two segments derive revenues primarily from the sale of tools and equipment.

The accounting policies of the reportable segments are the same as those described in Note 1. The Corporation evaluates the performance of its operating segments based on segment net sales and earnings. The Corporation accounts for intersegment sales and transfers based primarily on standard costs established between the segments. Prior to 1999, the Corporation accounted for intersegment sales and transfers based on established sales prices between the segments, which represented standard cost plus an intercompany markup. The Corporation allocates shared service expenses to those segments that utilize the services based on their percentage of revenues from external sources. Restructuring and other non-recurring charges are not allocated to the reportable segments.

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

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Financial data by segment was as follows:

(Amounts in thousands)	1999	1998	1997
Net sales from external customers			
Global Transportation	\$1,050,922	\$1,009,863	\$1,001,078
Global Operations	894,699	762,774	671,137
Total from reportable segments	\$1,945,621	\$1,772,637	\$1,672,215

(Amounts in thousands)	1999	1998	1997
Intersegment sales			

Global Transportation	\$ 36	\$ 81	\$ 77
Global Operations	414,773	503,756	520,877

Total from reportable segments	414,809	503,837	520,954
Elimination of intersegment sales	(414,809)	(503,837)	(520,954)

Total consolidated intersegment sales	\$ -	\$ -	\$ -
=====			

(Amounts in thousands)	1999	1998	1997

Earnings			
Global Transportation	\$ 120,020	\$ 90,169	\$ 130,646
Global Operations	69,107	27,896	63,000

Total from reportable segments	189,127	118,065	193,646
Net finance income	60,476	65,933	71,891
Restructuring and other			
non-recurring charges	(37,190)	(149,863)	-
Interest expense	(27,358)	(21,254)	(17,654)
Other income (expense) - net	12,882	(2,041)	(9,207)

Total consolidated earnings before taxes	\$ 197,937	\$ 10,840	\$ 238,676
=====			

(Amounts in thousands)	1999	1998	1997

Depreciation and amortization			
Global Transportation	\$ 20,473	\$ 20,540	\$ 18,440
Global Operations	34,892	23,918	19,632

Total from reportable segments	55,365	44,458	38,072
Financial Services	-	527	305

Total depreciation and amortization	\$ 55,365	\$ 44,985	\$ 38,377
=====			

(Amounts in thousands)	1999	1998	1997

Total assets			
Global Transportation	\$ 789,201	\$ 758,813	\$ 811,955
Global Operations	1,308,365	760,765	653,299

Total from reportable segments	2,097,566	1,519,578	1,465,254
Financial Services	97,267	189,111	213,036
Elimination of intersegment receivables	(45,011)	(33,769)	(36,933)

Total consolidated assets	\$2,149,822	\$1,674,920	\$1,641,357
=====			

(Amounts in thousands)	1999	1998	1997

Capital expenditures			
Global Transportation	\$ 16,245	\$ 17,095	\$ 23,885
Global Operations	19,145	28,455	29,444

Total from reportable segments	35,390	45,550	53,329
Financial Services	-	1,229	2,113

Total consolidated capital expenditures	\$ 35,390	\$ 46,779	\$ 55,442
=====			

(Amounts in thousands)	1999	1998	1997

Geographic information			
Net sales*			
United States	\$1,306,684	\$1,239,970	\$1,221,790
Europe	434,336	361,071	259,453
All other countries	204,601	171,596	190,972

Total consolidated net sales	\$1,945,621	\$1,772,637	\$1,672,215
=====			
Long-lived assets			
United States	\$ 218,822	\$ 218,523	\$ 216,264
Europe	117,776	37,707	31,971
All other countries	26,000	15,800	17,530

Total consolidated			

long-lived assets	\$ 362,598	\$ 272,030	\$ 265,765
=====			

*Net sales are attributed to countries based on the origin of the sale.

Products and services: The Corporation derives revenue from a broad line of products and complementary services that can be divided into two groups: tools and equipment. The following table shows the consolidated sales of these product groups in the last three years:

(Amounts in thousands)	1999	1998	1997

Tools	\$1,149,275	\$ 918,492	\$ 918,238
Equipment	796,346	854,145	753,977

Total	\$1,945,621	\$1,772,637	\$1,672,215
=====			

Quarterly Financial Information

Unaudited (Amounts in thousands except per share data)	1999	1998	1997

Net sales			
First quarter	\$ 452,585	\$ 426,429	\$ 375,299
Second quarter	473,153	442,176	409,231
Third quarter	453,157	427,272	391,162
Fourth quarter	566,726	476,760	496,523

	\$1,945,621	\$1,772,637	\$1,672,215
=====			

Net earnings (loss)			
First quarter	\$ 32,241	\$ 33,926	\$ 33,854
Second quarter	24,999	22,661	38,971
Third quarter	42,550	(72,460)	35,514
Fourth quarter	27,437	11,094	42,027

	\$ 127,227	\$ (4,779)	\$ 150,366
=====			

Earnings (loss) per weighted average common share - basic*			
First quarter	\$.55	\$.57	\$.56
Second quarter	.43	.38	.64
Third quarter	.73	(1.23)	.58
Fourth quarter	.47	.19	.69

	\$ 2.18	\$ (.08)	\$ 2.47
=====			

Earnings (loss) per weighted average common share - diluted*			
First quarter	\$.55	\$.56	\$.55
Second quarter	.42	.38	.63
Third quarter	.72	(1.23)	.58
Fourth quarter	.47	.19	.68

	\$ 2.16	\$ (.08)	\$ 2.44
=====			

Cash dividends paid per share			
First quarter	\$.22	\$.21	\$.20
Second quarter	.22	.21	.20
Third quarter	.23	.22	.21
Fourth quarter	.23	.22	.21

\$.90 \$.86 \$.82

*Earnings per share are calculated on a quarterly basis and, as such, the amounts may not total the calculated full-year earnings (loss) per share.

Sales per Employee

in \$ thousands

1995 - 137
1996 - 142
1997 - 149
1998 - 151
1999 - 157

Depreciation & Amortization

in \$ millions

1995 - 32
1996 - 32
1997 - 38
1998 - 45
1999 - 55

Capital Expenditures

in \$ millions

1995 - 32
1996 - 52
1997 - 55
1998 - 47
1999 - 35

Shareholders' Equity per Share

in dollars

1995 - 12.35
1996 - 13.62
1997 - 14.74
1998 - 12.98
1999 - 14.10

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Six-year Data

(Amounts in thousands
except per share data)

	1999	1998	1997	1996	1995	1994
Summary of operations						
Net sales	\$1,945,621	\$1,772,637	\$1,672,215	\$1,485,279	\$1,292,125	\$1,194,296
Gross profit	896,187	763,314	843,828	750,784	663,491	608,837
Operating expenses	723,658	705,811	650,182	594,527	538,021	510,361
Net finance income	60,476	65,933	71,891	64,269	63,174	60,458
Interest expense	27,358	21,254	17,654	12,649	13,327	10,806
Other income (expense) - net	12,882	(2,041)	(9,207)	776	4,572	5,541
Pre-tax earnings	197,937	10,840	238,676	208,653	179,889	153,669
Income taxes	70,710	15,619	88,310	77,202	66,559	55,355
Net earnings (loss)	127,227	(4,779)	150,366	131,451	113,330	98,314
Financial position						
Current assets	\$1,206,341	\$1,079,832	\$1,021,709	\$1,017,324	\$ 946,689	\$ 873,020
Current liabilities	452,749	458,053	352,530	341,371	336,075	237,869
Working capital	753,592	621,779	669,179	675,953	610,614	635,151
Total capital	1,455,086	1,102,028	1,067,104	1,001,239	920,708	886,009
Accounts receivable	617,645	554,703	539,589	651,739	610,064	568,378
Inventories	454,841	375,436	373,155	269,750	250,434	229,037
Property and equipment - net	362,598	272,030	265,765	245,294	220,067	209,142
Total assets	2,149,822	1,674,920	1,641,357	1,520,788	1,360,973	1,234,905
Long-term debt	607,476	246,644	151,016	149,804	143,763	108,980
Shareholders' equity	825,261	762,267	892,137	828,161	750,732	766,398
Common share summary*						
Net earnings (loss) per share - diluted	\$ 2.16	\$ (.08)	\$ 2.44	\$ 2.13	\$ 1.83	\$ 1.53
Cash dividends paid per share	.90	.86	.82	.76	.72	.72
Shareholders' equity per share	14.10	12.98	14.74	13.62	12.35	11.91
Weighted average common shares outstanding - diluted	58,877	59,220	61,686	61,593	61,905	64,368
Other financial statistics						
Cash dividends paid	\$ 52,671	\$ 50,977	\$ 49,888	\$ 46,323	\$ 44,113	\$ 46,197
Dividends paid as a percent of net earnings	41.4%	N/M	33.2%	35.2%	38.9%	47.0%
Net cash provided by operating activities	235,604	75,031	194,894	136,400	172,900	107,175
Capital expenditures	35,390	46,779	55,442	52,333	31,581	41,788
Depreciation and amortization	55,365	44,985	38,377	31,879	31,534	29,632
Current ratio	2.7	2.4	2.9	3.0	2.8	3.7
Percent of total debt to total capital	43.3%	30.8%	16.4%	17.3%	18.5%	13.5%
Effective tax rate	35.7%	144.1%	37.0%	37.0%	37.0%	36.0%
Net earnings (loss) as a percent of net sales	6.5%	(0.3)%	9.0%	8.9%	8.8%	8.2%
Return on average shareholders' equity	16.0%	(0.6)%	17.5%	16.7%	14.9%	13.4%
Shareholders of record	11,271	11,514	10,738	10,556	9,657	9,292
Common stock price range*	37.81-26.44	46.44-25.50	46.31-34.25	38.25-27.33	31.50-20.67	29.58-19.33
Year-end share price*	26.56	34.81	42.38	36.38	30.17	22.17

*Adjusted for the three-for-two stock split in 1996.

1998 results include \$149.9 million of pre-tax restructuring and other non-recurring charges (\$107.6 million after tax). Earnings per share impact was \$1.82 after tax.

1999 results include \$37.2 million of pre-tax restructuring and other non-recurring charges (\$23.3 million after tax). Earnings per share impact was \$.40 after tax.

N/M = not meaningful.

Management's Responsibility for Financial Reporting

The management of Snap-on Incorporated is responsible for the preparation and integrity of all financial statements and other information contained in this Annual Report. The consolidated financial statements have been prepared in conformity with generally accepted accounting principles and necessarily include amounts based on judgments and estimates by management. The Corporation maintains internal control systems designed to provide reasonable assurance that the Corporation's financial records reflect the transactions of the Corporation and that its assets are protected from loss or unauthorized use. A staff of internal auditors conducts operational and financial audits to evaluate the adequacy of internal controls and accounting practices.

The Corporation's consolidated financial statements have been audited by Arthur Andersen LLP, independent public accountants, whose report thereon appears below. As part of their audit of the Corporation's consolidated financial statements, Arthur Andersen LLP considered the Corporation's system of internal control to the extent they deemed necessary to determine the nature, timing and extent of their audit tests. Management has made available to Arthur Andersen LLP the Corporation's financial records and related data.

The audit committee of the board of directors is responsible for reviewing and evaluating the overall performance of the Corporation's financial reporting and accounting practices. The committee meets periodically and independently with management, internal auditors and the independent public accountants to discuss the Corporation's internal accounting controls, auditing and financial reporting matters. The internal auditors and independent public accountants have unrestricted access to the audit committee.

/s/ Robert A. Cornog

/s/ Donald S. Huml

Robert A. Cornog
Chairman, President and
Chief Executive Officer

Donald S. Huml
Senior Vice President -
Finance and Chief
Financial Officer

Report of Independent Public Accountants

To the Board of Directors and Shareholders of Snap-on Incorporated:

We have audited the accompanying consolidated balance sheets of Snap-on Incorporated (a Delaware Corporation) and subsidiaries as of January 1, 2000, and January 2, 1999, and the related consolidated statements of earnings, shareholders' equity and comprehensive income, and cash flows for each of the three years in the period ended January 1, 2000. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Snap-on Incorporated and subsidiaries as of January 1, 2000, and January 2, 1999, and the consolidated results of its operations and cash flows for each of the three years in the period ended January 1, 2000, in conformity with accounting principles generally accepted in the United States.

/s/ Arthur Andersen LLP

Arthur Andersen LLP

Chicago, Illinois
February 1, 2000

Exhibit (21)

SUBSIDIARIES OF THE CORPORATION
As of January 1, 2000

Name -----	State or other jurisdiction of organization -----
CreditCorp SPC, LLC	Wisconsin
IDSC Holdings, Inc.	Wisconsin
Luxembourg SB Tools SARL	Luxembourg
Snap-on Capital Corp.	Delaware
Snap-on Credit, LLC	Delaware
Snap-on Engineering Services Company	Wisconsin
Snap-on Financial Services, Inc.	Nevada
Snap-on Global Holdings, Inc.	Delaware
Snap-on International Finance Company	Ireland
Snap-on Logistics Company	Wisconsin
Snap-on Technologies, Inc.	Illinois
Snap-on Tools Company	Wisconsin
Snap-on Tools Limited	United Kingdom

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our reports dated February 1, 2000 incorporated by reference in this Form 10-K, into the Corporation's previously filed Registration Statement File Nos. 2-53663, 2-53578, 33-7471, 33-22417, 33-37924, 33-39660, 33-57898, 33-55607, 33-58939, 33-58943, 333-14769, 333-21277, 333-21285 and 333-41359. It should be noted that we have not audited any financial statements of the Corporation subsequent to January 1, 2000 or performed any audit procedures subsequent to the date of our report.

/s/ Arthur Andersen LLP

ARTHUR ANDERSEN LLP

Chicago, Illinois
March 22, 2000

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THE SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE
CONSOLIDATED FINANCIAL STATEMENTS OF SNAP-ON INCORPORATED AS OF AND FOR THE
YEAR ENDED JANUARY 1, 2000 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO
SUCH FINANCIAL STATEMENTS.

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