SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended January 1, 1994
Commission File Number 1-7724

SNAP-ON TOOLS CORPORATION
(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.)
2801 - 80th Street, Kenosha, Wisconsin	53141-1410
(Address of principal executive offices)	(ZIP Code)

Registrant's telephone number,
including Area Code - (414) 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 X 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 -----.

State the aggregate market value of the voting stock held by non-affiliates of the registrant as of February 22, 1994, with a closing price per share on that date of $43.875.

Common Stock, Par Value $1 Per Share, $1,865,592,000

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of February 22, 1994.

Common Stock, Par Value $1 Per Share, 42,652,946 Shares

Shares Preferred Stock Purchase Rights, None.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Corporation's Annual Report to Shareholders for the fiscal year ended January 1, 1994, are incorporated by reference into Parts I, II, and IV of this report.

Portions of the Corporation's Proxy Statement, dated March 18, 1994, prepared for the Annual Meeting of Shareholders scheduled for April 22, 1994, are incorporated by reference into Part III of this report.

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SNAP-ON TOOLS CORPORATION
1993 FORM 10-K

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PART I

ITEM 1: BUSINESS OVERVIEW

Snap-on Tools Corporation (the "Corporation") was incorporated under the laws of the State of Wisconsin in 1920 and reincorporated under the laws of the state of Delaware in 1930. Its corporate headquarters is located in Kenosha, Wisconsin.

The Corporation, which is in a single line of business, is a leading manufacturer and distributor of high-quality hand tools, power tools, tool storage products, and diagnostics and shop equipment, primarily for use by

professional mechanics and technicians. In addition to individual automotive service technicians, shop owners and other professional tool users, the Corporation's products are marketed to industrial and government entities.

The Corporation is a multinational corporation with operations in the United States, Australia, Belgium, Brazil, Canada, France, Germany, Japan, Mexico, Puerto Rico, the Netherlands, New Zealand, Taiwan, and the United Kingdom.

In 1993, shareholders approved a holding company structure for the Corporation, allowing the Corporation to realign its operating business units with the various needs of the customers it serves and the channels of distribution available in the market for tools, equipment and related services. Subsequently, the Corporation established four principal operating units:

- - The SNAP-ON TOOLS business unit focuses on the Corporation's worldwide dealer direct sales programs to automotive and transportation technicians. Subsidiaries in several countries manage dealer operations outside the United States;

- - The SNAP-ON DIAGNOSTICS business unit focuses on the development and sale of diagnostics and shop equipment, primarily to automotive shop owners. Subsidiaries associated with Snap-on Diagnostics include: Sun Electric Corporation ("Sun"), a leading manufacturer and distributor of high-end diagnostics, test and service shop equipment with subsidiaries in Australia, Austria, Belgium, Brazil, Canada, Germany, Mexico, the Netherlands, the United Kingdom, and the United States; and Balco, Inc., a developer of engine diagnostic and wheel balancing equipment, with subsidiaries in Switzerland and Ireland. Systems Control, Inc., a subsidiary of Sun, provides automotive emissions testing under contract to government entities;

- - The SNAP-ON INDUSTRIAL business unit focuses on the sale of industrial tools and equipment through a direct sales force as well as through industrial distributors and other channels. Subsidiaries associated with the Snap-on Industrial business unit include: J.H. Williams Company ("Williams"), a manufacturer of industrial-quality hand tools sold through industrial distributors and directly to the U.S. government and original equipment manufacturers; and A.T.I. Tools, Inc., a producer of tools and equipment for aerospace and industrial applications;

- - SNAP-ON FINANCIAL SERVICES, INC. holds most of the Corporation's credit assets and, through its Snap-on Credit Corporation subsidiary, manages certain credit services for the Corporation. Credit programs support the sale of the Corporation's products and services, especially higher-value products such as diagnostics and other shop equipment, when traditional lending sources are not readily available to customers.

For further information on the Corporation's international and domestic operations, see Note 14 on Page 33 of the Corporation's 1993 Annual Report, incorporated herein by reference.

The Corporation believes it originated the mobile dealer van method of marketing hand tools and equipment to automotive technicians. In recent years, it has expanded its product line and marketing and sales programs to address additional customer needs in the market for professional tools and equipment and to expand in international markets. Included in the Corporation's expanded product line are automotive shop equipment, electronic equipment service, and tools and instrumentation for aerospace and medical applications. It has also acquired new manufacturing operations and brands to address additional channels of distribution, particularly for industrial customers.

The Corporation believes it is the largest single-source manufacturer of professional hand tools and service equipment for the U.S. automotive service industry. In 1993 the Corporation merged its U.S. Snap-on and Sun technical sales forces into SNAP-ON/SUN Tech Systems, creating what it also believes

to be the largest technical systems sales and service organization in the industry. In addition, within its diagnostics and shop equipment operations, the Corporation has formed agreements, including minority investments, with information and technology firms to strengthen its position as a leading supplier of diagnostic hardware and software for the service and repair of the growing number of computerized systems employed in modern automotive design.

In addition to direct sales to individual technicians, shop owners, industrial and other customers at their places of business through mobile van dealers and employee sales representatives, other methods of marketing and distribution include both direct and indirect sales to industrial and government customers and indirect sales through non-U.S. distributors. The Corporation's industrial sales historically had been concentrated among small and mid-sized manufacturing facilities, industrial maintenance and repair shops, and government service and repair operations. With the acquisition of the assets of J.H. Williams Industrial Products, Inc. in 1993, the Corporation entered the industrial distributor marketing channel, which represents the largest segment of the industrial tool market.

PRODUCTS AND SERVICES

The Corporation offers a product line of approximately 14,000 items which it divides into four product groups -- hand tools, power tools, tool storage products, and diagnostics and shop equipment. Following is a discussion of the four product groups:

HAND TOOLS -- Includes wrenches, screwdrivers, sockets, pliers, ratchets, and other similar products; hand tools developed for medical applications and for the manufacture and servicing of electronic equipment such as computers and photocopiers; and J.H. Williams industrial-quality hand tools. The Stanley Works, Danaher Corporation, Cooper Industries and Strafor-Facom are some of the many manufacturers of hand tools. Factors that influence customer purchasing decisions vary among the Corporation's customer groups and within distribution channels and are discussed later.

POWER TOOLS -- Includes pneumatic (air), cord-free (battery) and corded (electric) tools such as impact wrenches, ratchets, chisels, drills, sanders, polishers, and similar products. Makita Corporation, Atlas Copco AB, Ingersoll-Rand Company, and The Black & Decker Corporation are some of the many manufacturers in this product category.

TOOL STORAGE PRODUCTS -- Includes tool chests, roll cabinets, and other similar products for automotive, industrial, aerospace, and other storage applications. Stanley, Danaher, Waterloo Industries (a division of American Brands, Inc.), and Kennedy Manufacturing Company are some of the many manufacturers of tool storage products.

DIAGNOSTICS AND SHOP EQUIPMENT -- Includes both hardware and software solutions for the diagnosis and service of automotive and industrial equipment. Products include electronic automotive diagnostic equipment such as engine analyzers, exhaust emissions analyzers, air conditioning refrigerant recycling equipment, transmission troubleshooting equipment, and anti-lock brake systems testing and service equipment. Also included in this category are wheel balancing and aligning equipment, battery chargers, and other similar products used in automotive service and repair shops. SPX Corporation, Hunter Engineering Company, Inc., Robert Bosch GmbH, and Danaher are among other manufacturers in this market.

While the Corporation historically has emphasized the development of equipment for the automotive aftermarket, it believes some of its diagnostic technologies may be transferable to industrial and other applications. The Corporation believes such product extensions into additional markets represent opportunities for future growth.

In 1994, the Corporation intends to expand its technician training services offered through its SNAP-ON/SUN Tech Systems program, more than doubling its number of training centers to approximately 40. These training programs offer customers certification in both specific automotive technologies and in the application of specific diagnostic equipment developed and marketed by the Corporation and its subsidiaries. Technical service training for the automotive aftermarket is a highly fragmented industry with estimated annual sales of $800 million to $1 billion. With its strong electronic tools and shop equipment product line and weekly sales contact with most automobile dealerships, specialty service chains, and independent shops, the Corporation believes it is well-positioned to grow its business in the technical training field.

The Corporation is also a participant in the market for centralized automotive emissions testing services. The Sun subsidiary Systems Control has a multi-year contract to provide enhanced emission-testing services to the State of Washington. During 1993, Systems Control and its subsidiaries also were selected to provide centralized emissions-testing services in Maine and in portions of Texas. Systems Control will bid on additional contracts during 1994 as additional states begin to implement requirements of the Clean Air Act.

Revenues from Systems Control and Snap-on/Sun technical training services are included in the diagnostic tools and shop equipment category.

The Corporation's standard line of SNAP-ON manufactured products and other products sold by Snap-on dealers and sales representatives are described in a general product catalog distributed to dealers and customers. Editions of the

general catalog currently are available in English, French, German, Spanish and Japanese. Products manufactured under the SUN brand name and sold by SNAP-ON/SUN Tech Systems Specialists, or Tech Reps, are described in separate literature. J.H. Williams and A.T.I Tools, Inc. also have their own catalogs of industrial products.

Table 1 shows the approximate percentage of total consolidated sales for each of the Corporation's product groups in each of the past three years, including the contributions of Sun in the fourth quarter of 1992 and for the full year in 1993.

TABLE 1 CONSOLIDATED SALES ACTUAL

PRODUCT GROUP % OF SALES	1993	1992	1991
Hand Tools	37%	43%	49%
Power Tools	7%	8%	10%
Tool storage products	11%	13%	12%
Diagnostics/Shop	45%	36%	29%

The acquisition of Sun in the fourth quarter of 1992 had a material effect on the Corporation's product sales mix. Table 2 provides a pro forma restatement of the percentages of 1991 and 1992 sales derived from the four product groups as if the acquisition had occurred at the beginning of 1991.

TABLE 2 PRO FORMA SALES WITH SUN

PRODUCT GROUP % OF SALES	1992	1991
Hand Tools	37%	39%
Power Tools	7%	8%
Tool storage products	11%	10%
Diagnostics/Shop	45%	43%

The Corporation believes this analysis is representative of its consolidated net sales mix worldwide.

As stated earlier, sales in the diagnostics and shop equipment product group include technical training services for the automotive service industry as well as contracted emissions-testing services for various government entities.

MARKETS SERVED

GEOGRAPHIC MARKETS SERVED -- The Corporation's products and services are marketed and distributed in more than 100 countries either directly through Snap-on and Sun sales organizations, or indirectly through industrial distributors and non-U.S. distributors. Table 3 shows the approximate percentage of sales for the past three years.

TABLE 3 CONSOLIDATED SALES ACTUAL

MARKETS % OF SALES	1993	1992	1991
North American Sales	78%	85%	90%
European Sales	18%	11%	8%
Other Sales	4%	4%	2%

See Note 14 of the Corporation's Annual Report for further information.

The acquisition of Sun resulted in a significantly higher percentage of sales outside North America. Table 4 provides a pro forma restatement of the percentages of 1991 and 1992 sales derived from North American and other markets to reflect the acquisition as if it had occurred at the beginning of 1991.

TABLE 4 PRO FORMA SALES WITH SUN

MARKETS % OF SALES	1992	1991
North American Sales	80%	80%
European Sales	17%	18%
Other Sales	3%	2%

MARKET SECTORS SERVED -- The Corporation, which operates in a single line of business which is the manufacture and sale of hand and power tools, diagnostic equipment, and tool storage products, markets and distributes primarily to two market sectors, in both the U.S. and internationally:

- - The professional market of mechanics and technicians and automotive service

and repair shops, including independent, chain, and dealership garages. The sector also includes serious hobbyists who prefer to purchase the quality tools used by professionals.

- - The industrial market for tools and equipment used in manufacturing and assembly applications and in industrial maintenance and repair, as well as tools included with products sold by original equipment manufacturers as instrumentation or used in OEM and distributor equipment service programs.

Table 5 shows the approximate percentage of total sales for the last three years for these sectors as well as for sales to non-U.S. distributors, who sell to the same types of customers in the markets the Corporation serves in the United States.

TABLE 5 CONSOLIDATED SALES ACTUAL

MARKET SECTOR % OF SALES	1993	1992	1991
Professional	83%	79%	76%
Industrial	15%	18%	20%
Non-U.S. Distributor	2%	3%	4%

PROFESSIONAL SECTOR

The professional sector has two primary customer groups: professional mechanics and technicians who purchase tools and equipment for themselves, and shop owners and managers who purchase equipment generally used by multiple technicians within a service or repair garage. Following is a discussion of the characteristics of each type of customer and the Corporation's position in these related markets.

PROFESSIONAL TECHNICIANS -- The Corporation markets hand tools, power tools, diagnostic equipment, and tool storage products to professional technicians worldwide primarily through its mobile dealer van distribution system. It provides innovative tools and equipment to meet technicians' evolving needs, as well as technical sales support and training to meet the information and technology needs of the professional mechanic.

Professional technician customers demand the highest quality tools and equipment in terms of function, reliability, productivity, appearance, and service. Most professional technicians, particularly in the transportation service industry, are paid based on a flat rate and buy their own tools. Thus, these customers value the time-and-place utility of the Corporation's mobile van distribution system and productivity advantages of professional-quality tools.

The Corporation's success with professional technicians is believed to be due to its consistently high-quality products, its extensive product line, its dealer and dealer-related marketing and sales programs, its frequent call schedule, the availability of financing for major purchases, product warranties, and service and repair programs.

The Corporation has a strong presence in this sector, although its U.S. and worldwide market shares cannot accurately be determined. Stanley and Danaher are active in the mobile dealer van channel through their MAC Tools and Matco operations. Other van operations include Vulcan and Cornwell. Additionally, technicians purchase products from other sources, including wholesalers, hardware stores, and retail outlets such as Sears Roebuck and Co.

For the reasons stated earlier, the Corporation's focus within the mobile dealer van system generally is on service and product quality, performance, and productivity. Other suppliers within the market sector, but outside the dealer van channel, generally compete on price. However, recent economic conditions relating to consumer and mechanic confidence have made customers more price-conscious than in previous years.

Major challenges for the Corporation and the industry include slower automotive technician turnover, improved vehicle quality, which reduces service and repair demand, general economic conditions relating to consumer and mechanic confidence, and increased competition within the mobile dealer van channel during the past decade.

SHOP OWNERS -- Through its dealers and employee sales representatives, the Corporation serves owners of shops where technicians work with tools, equipment, and diagnostic products. Shops include service stations, automobile dealers and automotive repair shops.

The needs of these customers are being increasingly driven by technological innovation and government regulation. In order to remain competitive and stay in business, shop owners find it necessary to purchase a growing array of sophisticated, specialized equipment that enables their shops to service and repair a growing number of computerized automotive systems and to help comply with vehicle environmental and safety regulations. The ability to recruit and retain professional technicians also depends on the quality of the equipment and service and repair information available in the shops where they work.

The Corporation has been actively expanding its line of automotive diagnostics and service equipment to address new needs in this market sector, expand its customer base, and grow its sales. The acquisition of Sun in 1992 enabled the Corporation to extend its line of engine analyzers to include high-end equipment favored by larger shops and to add new products such as air emissions testing and air conditioner refrigerant recycling equipment. It also accelerated the Corporation's introduction of a new line of PC-based automotive diagnostic hardware and software products. The Sun acquisition followed the Corporation's completion of its acquisition one year earlier of Balco, Inc., which enhanced its product offerings in engine diagnostics and wheel balancing and service equipment.

During 1993, Snap-on and Sun technical sales forces were merged, creating a 285-member technical sales force by year-end. SNAP-ON/SUN Tech Systems also offers technician training and certification services.

In many major markets, including the United States, Canada, and the United Kingdom, automotive technicians generally buy their own tools and certain lower-value diagnostic equipment. However, in most markets in Europe and Asia, hand tools and higher-value equipment are most often purchased by shop owners. One of the challenges in developing new international markets has been to develop relationships with shop owners, who own or operate many service and repair facilities in these markets.

INDUSTRIAL SECTOR

The Corporation markets its products to a wide variety of industrial tool and equipment customers, including industrial maintenance and repair shops; manufacturing and assembly operations; industrial distributors; original equipment manufacturers who require instrumentation or service tools and equipment for their products; and government facilities.

Customers in the industrial sector have different needs and make their purchase decisions on a variety factors. Small- to mid-sized manufacturers and industrial and government maintenance and repair shops and motor pools often prefer the consultative advantages of direct selling and make their purchase decisions based on quality, selection, and service. Large manufacturing

operations more often prefer the economies and efficiencies of buying through industrial distributors. For these larger, higher-volume customers, key purchase factors include competitive pricing, one-stop shopping and invoicing, and on-time delivery.

The Corporation has been expanding its product line and service to the industrial and government sector. In addition to the Williams acquisition, it has expanded its SNAP-ON brand line of black-finish industrial tools and expanded its offerings to government installations under a master purchase agreement negotiated with the General Services Administration (GSA).

In addition to the hand tool, power tool, and tool storage producers previously described, companies involved in the industrial sector include industrial distribution houses such as W.W. Grainger, Inc. and McMaster Carr Supply Company. While the Corporation's tool and storage lines are among the largest offered for industrial applications, these are only two of several categories of products these other companies offer.

Major challenges in the industrial tool and equipment market include a highly competitive, cost-conscious environment, as well as an increase in new technologies. While the Corporation believes it is currently a relatively small competitor in the overall market for industrial tools and equipment, the Corporation also believes its newly-acquired ability to address the industrial distribution channel through J.H. Williams and to offer a broader product line with additional brands at different price points will result in significant market penetration and sales gains over the next decade.

DISTRIBUTION

The Corporation serves its many customers through both direct and indirect sales channels. Direct sales distribution includes dealers, Corporation-employed sales representatives, and technical representatives. Indirect sales include distribution through industrial distributors, original equipment manufacturers, and non-U.S. distributors. The Corporation's total selling force numbered 5,879 at year-end 1993.

SNAP-ON TOOLS

DEALERS

Marketing worldwide to professional technicians and shop owners is conducted primarily through the mobile dealer van system. As described earlier, dealers operate from van-type vehicles, which house their inventory, and sell the Corporation's products to customers, primarily auto technicians and shop owners, at their places of business. Dealers purchase the products made available to them at a discount from suggested retail prices and resell them to customers at prices of the dealers' choosing. Since 1991, all new dealers have been enrolled as franchisees of the Corporation. The franchise program is more fully described later.

The Corporation's dealers are entitled to purchase and sell SNAP-ON brand products and products contained in the SNAP-ON catalogs. In the U.S., SUN brand products are sold only through the SNAP-ON/SUN Tech Systems sales force, which is described more fully later, and a national accounts program. Internationally, SUN products are sold by subsidiaries and through distributors. Dealers are encouraged to provide sales leads to Tech Reps, and under certain conditions participate in the proceeds of sales of SUN brand equipment to their customers.

Although some dealers have sales areas defined by other methods, most dealers are provided a list of calls -- addresses or places of business -- which serve as the basis of the dealer's sales route. The need to provide a high level of service is one of the factors used to establish the size of the sales route. Weekly dealer calls on customers for both service and sales solicitation are essential elements of the Corporation's dealer-marketing program.

SPECIAL AND SALES REPRESENTATIVES

The Corporation makes it possible for prospective dealer candidates to work as employee sales representatives for up to one year prior to making an investment in a franchise (subject to the Corporation's approval). This program is particularly useful for candidates who lack the financial resources to become franchisees or who are not certain of their aptitude for mobile van sales work.

As employees, sales representatives are paid a salary plus commission on sales; however, they are responsible for certain expenses. They perform essentially all of the functions of a dealer, including making weekly sales and service calls, collecting customer accounts receivable, and participating in product and business training programs.

From time to time, employees of the Corporation are assigned to perform the functions of a dealer, making sales and service calls and collecting customer accounts receivable. These special representatives work sales routes on a temporary basis until the routes can be assigned to a franchised dealer.

NON-U.S. DISTRIBUTORS

Sales to the Corporation's non-U.S. distributors are made by its subsidiary, Snap-on Tools International, Ltd., in those countries where the Corporation does not have subsidiary operations. These non-U.S. distributors operate under license or contract with the Corporation. Their customers may include industrial and government entities as well as individual technicians and shop owners. These sales were not material to the Corporation's total sales in 1993.

SNAP-ON DIAGNOSTICS

Marketing of higher-value diagnostics and shop equipment in the United States is conducted primarily through the SNAP-ON/SUN Tech Systems group. In addition, SUN brand equipment is marketed in Europe through both a direct sales force and distributors and, in Canada, through distributors.

TECHNICAL SPECIALISTS

Technical Specialists, or Tech Reps, are employees of the Corporation trained in the operation and sales of certain sophisticated equipment. They are compensated on the basis of commission. Tech Reps help dealers demonstrate and sell technically complex equipment, and train dealers' customers in how to use it. Dealers receive a smaller discount than their normal discount on the Corporation's suggested retail prices on items Tech Reps help them sell.

Tech Reps demonstrate and assist in the sale of SNAP-ON brand equipment and sell SUN brand equipment. They call on accounts on their own and also work with the Corporation's network of dealers and sales representatives to identify sales leads and respond to customer needs. While Snap-on dealers sell only SNAP-ON brand equipment, they share in the proceeds of certain SNAP-ON and SUN products to their customers.

SNAP-ON INDUSTRIAL

Marketing to industrial and government customers is by direct sales through industrial sales representatives and indirect sales through industrial distributors.

INDUSTRIAL SALES REPRESENTATIVES

The sale of SNAP-ON products is conducted through industrial sales representatives who are employees of the Corporation and compensated on a commission basis. These sales representatives focus on the Corporation's traditional industrial customers; generally those who prefer to buy on quality, selection, and service, as well as certain OEM accounts.

At year-end 1993, the Corporation had industrial sales representatives in Australia, Belgium, France, Germany, Japan, Mexico, Puerto Rico, the Netherlands, the United Kingdom and the United States. U.S. industrial sales accounted for the majority of the Corporation's total industrial sales.

J.H. WILLIAMS SALES REPRESENTATIVES

J.H. Williams is operated as a separate company with a separate sales force and a distinct brand and product line. Williams sales representatives focus on sales to industrial distributors as well as appropriate OEM accounts.

FRANCHISE PROGRAM

Since 1991, all new U.S. dealers, and a majority of existing U.S. dealers, have been enrolled as franchisees of the Corporation. It is the Corporation's belief that a franchise program facilitates and promotes a more uniform marketing and business program, and allows the Corporation to take additional steps to support the success of its dealers. At year-end 1993, approximately 2,600, or 77% of all U.S. dealers, were enrolled as franchisees.

As part of the franchise program, certain programs and benefits are made available to franchised dealers. The current package of franchise benefits includes a volume purchase discount, a stock purchase program, certain types of insurance coverage, access to a family assistance counseling program, discounts on cellular telephone service, and the ability to purchase a second franchise. Additional programs and benefits introduced during 1993 also enable

franchised dealers to obtain start-up financing (discussed in greater detail later), operate a second van to service their customers, and establish retirement savings programs. A National Dealer Advisory Council elected by dealers assists the Corporation in identifying and implementing enhancements to the franchise program.

The Corporation currently charges an initial franchise fee which did not add material revenue to the Corporation's operations.

To qualify for a franchise, a new dealer applicant must meet minimum personal and financial qualifications. The dealer must make an initial investment in the business for such items as inventory, van acquisition, development of customer accounts receivable, equipment, fixtures, a computer, and other miscellaneous expenses.

In the United States and most non-U.S. locations, dealers lease or purchase their vans from a third-party vendor not affiliated with the Corporation.

FIELD MANAGEMENT/SALES SUPPORT

The Corporation supports and services its dealer, sales representative, and industrial sales network with an extensive field organization of branch offices and service, repair, and distribution centers, which are discussed in more detail later. Dealers are organized by field groups of seven to ten dealers within branch operations. Each field group is headed by an employee field manager, who provides product, sales, and business training on a continuous basis.

The Corporation provides its dealers with instruction, training and practical experience regarding its products, sales techniques, record keeping and reporting, inventory control methods, and general business practices. Training initially is conducted in branch offices and, on an ongoing basis, through field managers riding with dealers as they service their list of calls.

The Corporation also engages in various marketing and sales promotion programs designed to increase sales to both dealers and their customers. These programs include advertising, sales materials, premiums, and the offering of promotional tools.

FINANCIAL ASSISTANCE AND CREDIT

In 1993, the Corporation transferred its credit-related assets to the newly-formed Snap-on Financial Services, Inc. and its subsidiary, Snap-on Credit Corporation, to carry on its tradition of providing financing services to its dealers and customers.

DEALER-RELATED FINANCIAL PROGRAMS

Financial assistance for dealer operations and dealer sales is offered by the Corporation as part of its program of dealer support. This assistance includes, but is not limited to, the financing of inventory; financing a new dealer's purchase of accounts receivable from a predecessor dealer in a sales route; and the purchase of various extended credit contracts between dealers and their customers.

The Dealer Finance Program offered by Snap-on Credit Corporation provides funds for the initial investment of start-up dealers which could include the license fee, inventory, RA acquisition, equipment, fixtures, other expenses, and initial checking account deposit. Dealers are required to make a minimum equity or down payment. Participating dealers must enter into a Loan Security Agreement and Promissory Note evidencing the loan.

Under the Dealer Finance Program, the dealer must lease a specified van on terms arranged by Snap-on Credit Corporation, with no recourse to the Corporation, or purchase a van meeting Snap-on specifications and other terms.

The Credit Corporation operates a credit program to provide financing for high-value product purchases by dealers' customers. Dealers enter into various credit contracts with their customers, and the Corporation, at its sole discretion, may then accept assignment of these contracts from dealers. Dealers are responsible for collecting these installment payments due to the Corporation.

DEALER CREDIT TO CUSTOMER

Revolving account or "RA" sales typically comprise a significant percentage of a dealer's sales. These are credit sales between a dealer and a dealer's customer, involving the extension of the dealer's personal credit (usually at no interest) to finance the customer's purchases. The Corporation may finance the purchase of a portion of these accounts receivable when a new dealer takes over a former dealer's sales route.

FIELD SERVICES AND INVENTORY

In the fourth quarter of 1993, the Corporation completed a reorganization and consolidation of its field services and inventory. Four regional finished-goods distribution centers replaced 48 U.S. branch warehouses. These distribution centers are located in Carson City, Nev.; Olive Branch, Miss.; Ottawa, Ill.; and Robesonia, Penn. In addition, the

Corporation continues to operate a national parts center in Kenosha, Wis., and a new Replacement Processing Center, to process all product returns, in Nashville, Tenn.

In addition to cost savings, this consolidation is expected to improve customer order-fill rates by making the full 14,000-item product line available for same- or next-day shipment from each distribution center. Previously, branch warehouses did not stock the full product line.

In a second phase of the field services reorganization, the Corporation consolidated most of the administrative and credit functions formerly managed in branch offices within eight Regional Customer Service Centers located in

Atlanta, Boston, Dallas, Kansas City, Milwaukee, Philadelphia, Sacramento, and San Diego. Three branch offices were closed, while the remaining 48 U.S. branches have been converted to sales offices.

The new Regional Customer Service Centers, whose offices include regional offices of the Credit Corporation, process all dealer orders and inquiries, including billing and accounting; manage dealer credit; and provide credit collection assistance. Service and repair of SNAP-ON products is consolidated at four regional repair centers, while service for SUN product is provided through a network of approximately 200 contract service technicians.

RAW MATERIAL & PURCHASED PRODUCT

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

The majority of 1993 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 1993 consolidated net sales.

PATENTS AND TRADEMARKS

The Corporation vigorously pursues and relies on patent protection to protect its inventions and its position in the market. The Corporation and its subsidiaries currently hold approximately 345 patents and more than 175 pending patent applications.

Patent protection covers certain products which are believed to have significant market potential. Examples of these products include Engine Analyzers, Serrated Jaw Open End Wrenches, 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 automotive 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.

Corporation trademarks, such as SNAP-ON, BLUE-POINT, FLANK DRIVE, COUNSELOR, ELECTROTORK, SUN, SUNTESTER, SHOPMAX, INSPECTOR, NORTRON, SUN SUPER TACH and WILLIAMS are registered U.S. trademarks and are of continuing importance to the Corporation in the marketplace. Trademarks have been registered in 41 other countries, and additional applications for trademark registration are pending. Proper use of the Corporation's trademarks is rigorously policed.

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

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

The Corporation's use of working capital to extend credit to its dealers and to purchase installment credit receivables from dealers is discussed in "Management's Discussion and Analysis of Results of Operations and Financial Condition," which is found on Pages 16 to 20 of the Corporation's 1993 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. The Corporation has no significant backlog of orders.

RESEARCH AND ENGINEERING

Each year the Corporation develops and introduces new products to advance its diversified product line. The Corporation performs its own research and engineering. The Corporation spent the following amounts on research and engineering activities during the past three years.

TABLE 7 RESEARCH AND ENGINEERING

(MILLIONS $)	1993	1992	1991
Actual	$27.7	$19.6	$15.6
Pro Forma with Sun	N/A	$24.9	$23.4

ENVIRONMENT

The Corporation complies with applicable environmental control requirements in its operations. Compliance has not had a material effect upon the Corporation's capital expenditures, earnings or competitive position.

EMPLOYEES

At the end of 1993, the Corporation employed approximately 9,000 people, of whom approximately 18% were covered by collective bargaining agreements. Approximately one-third of all employees are engaged in manufacturing activities.

RECENT DEVELOPMENTS

Significant developments affecting the Corporation's business during the past year included realignment of the Corporation's businesses into a holding company format; the merger of the Snap-on and Sun technical systems sales forces; consolidation of branch warehouse operations into four existing regional distribution centers; the reorganization and consolidation of field sales and credit operations into eight Regional Customer Service Centers; and the acquisition of the assets of J.H. Williams Industrial Products, Inc. These developments are discussed in greater detail elsewhere in this report.

At its 1994 annual meeting, shareholders will be asked to approve changing the Corporation's name from Snap-on Tools Corporation to Snap-on Incorporated. The change reflects the expansion of the products the Corporation offers and the customers its serves.

ITEM 2: DESCRIPTION OF PROPERTIES

The Corporation's manufacturing facilities, all of which are well maintained and in good operating condition, are suitable for producing the Corporation's products. The productive capacity is adequate to meet present and foreseeable future demand. Current utilization levels allow for increased production through the addition of second and/or third shifts should increase in demand necessitate such additions.

The following is a description of the principal properties of the Corporation, which are owned in fee unless otherwise indicated.

NOTE: EXCEPT FOR THE MEDICAL TOOLS MANUFACTURING FACILITY LOCATED IN KENOSHA, WISCONSIN, ALL MANUFACTURING FACILITIES LISTED BELOW PRODUCE PRODUCTS FOR TRANSPORTATION AND INDUSTRIAL MARKETS.

MANUFACTURING LOCATION/USE	APPROXIMATE AREA (SQ.FT.)
U.S. MANUFACTURING AND CORPORATE OFFICE FACILITIES:	
KENOSHA, WISCONSIN	
Hand tools and wheel aligning equipment.	163,300
General offices.	221,800
CRYSTAL LAKE, ILLINOIS	
High-end diagnostic equipment.	275,000
Sun Electric Corporation headquarters.	116,200
ALGONA, IOWA	410,400
Tool storage units.	
MT. CARMEL, ILLINOIS	180,000
Hand tools.	
MILWAUKEE, WISCONSIN	128,800
Hand tools. (Industrial Revenue Bond obligation maturing on May 1, 2009.)	
ELIZABETHTON, TENNESSEE	117,800
Hand tools. (Lease expires May 1, 1994, with renewal and purchase options.)	
JOHNSON CITY, TENNESSEE	65,600
Hand tools.	
NATICK, MASSACHUSETTS	44,200
Pneumatic tools.	
BENSENVILLE, ILLINOIS	30,000
Process development facility.	

LOCATION/USE	APPROXIMATE AREA (SQ.FT.)

EAST TROY, WISCONSIN Electronic test equipment.	63,100
ELKHORN, WISCONSIN Unoccupied.	55,600
KENOSHA, WISCONSIN Medical tools.	20,000
SAN JOSE, CALIFORNIA Wheel service equipment and diagnostic equipment. (Lease expires June 14, 1995.)	40,000
ESCONDIDO, CALIFORNIA Tools and components for the aircraft and aerospace industry.	97,800
ESCONDIDO, CALIFORNIA Tools and components for the aircraft and aerospace industry.	24,800
COLUMBUS, GEORGIA	
Industrial hand tools	116,500
J. H. Williams corporate headquarters	5,500

NON-U.S. MANUFACTURING AND CORPORATE OFFICE FACILITIES:

METTMANN, GERMANY Sun International's administrative headquarters. (Lease expires April, 2000.)	64,400
NEWMARKET, CANADA Tool storage units.	117,800
SHANNON, IRELAND Wheel service equipment. (Lease expires March 25, 1995.)	19,250
SHANNON, IRELAND Wheel service equipment. (Lease expires October 12, 1997.)	11,250
BARBARA D'OESTE, BRAZIL Manufacture of Sun electronic equipment.	57,000
KINGS LYNN, ENGLAND Manufacture of Sun electronic equipment. Facility contains offices.	65,000

DISTRIBUTION

The Corporation has completed reorganizing and consolidating its field services and inventory. The following distribution centers replaced the 48 U.S. continental branch warehouses:

LOCATION/USE	APPROXIMATE AREA (SQ.FT.)

- ------------	---------------
CARSON CITY, NEVADA	70,200
OLIVE BRANCH, MISSISSIPPI	147,750
OTTAWA, ILLINOIS	158,700
ROBESONIA, PENNSYLVANIA	124,750

The Corporation leases warehouse space in Carson City, Nevada, and Olive Branch, Mississippi, totalling 80,000 square feet. Also, public warehousing on an as needed basis is used in Fort Dodge, Iowa, Olive Branch, Mississippi, Ottawa, Illinois and Kenosha, Wisconsin. The Corporation owns and operates a 73,000 square foot National Parts Distribution Center in Kenosha, Wisconsin, and a 7,500 square foot sales/distribution facility in Honolulu, Hawaii.

SALES AND MARKETING

As of February 1, 1994, the Corporation had sold 18 branch warehouse facilities, two division sales offices, and one repair center. Nineteen branch sales/warehouse facilities are currently in transition, serving as branch sales offices only and will be replaced by leased branch sales offices as the current owned facilities are sold. Five have been retained to provide added warehouse and office facilities. The branch sales/warehouse facilities average 16,000 square feet. The Corporation leases 15 branch sales office facilities averaging 6,000 square feet. Credit services and certain sales support functions of the former branch warehouse facilities have been consolidated in eight Regional Customer Service Centers (RCSCs) averaging 14,000 square feet. The Corporation owns seven of these RCSC facilities and leases one RCSC facility. The Corporation also owns four repair center facilities averaging 11,000 square feet and one replacement tool processing center. Additionally, the Corporation leases a building in New Jersey for medical products sales and engineering and an international sales office in Miami totalling 4,500 square feet. Sun also leases 19 regional sales offices averaging 4,000 square feet.

DISTRIBUTION AND SALES - NON-U.S.

The Corporation and its subsidiaries own 18 distribution/sales facilities outside the United States. These properties are located in Canada, the U.K., Puerto Rico, Singapore, the Netherlands and Germany and total 303,400 square feet of office and warehouse space. The Corporation also leases 57 non-U.S. distribution/repair/sales facilities. These

facilities are located in Canada, the U.K., France, Holland, Germany, Japan, Taiwan, Guam, Greece, Mexico, New Zealand, Brazil, Austria and Australia. These properties total 425,000 square feet.

OTHER PROPERTIES

The Corporation also leases a 23,800 square foot research and development facility in San Jose, California. The lease expires October 31, 1994. Currently, 12,900 square feet of this facility is subleased.

ITEM 3: LEGAL PROCEEDINGS

Note 4 to the Financial Statements of the Corporation on page 27 of its 1993 Annual Report is incorporated herein by reference. None of this litigation is material within the meaning of Section 103 of Regulation S-K in that such

matters individually or in the aggregate do not exceed 10% of current assets.

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, 1994.

EXECUTIVE OFFICERS OF THE REGISTRANT

The executive officers of the Corporation are listed below. All but two of the said officers have been with the Corporation for more than five years. 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/appointed by the Board of Directors at the regular meeting of the Board 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.

NAME POSITION AND BUSINESS EXPERIENCE	AGE
ROBERT A. CORNOG	(53)
Chairman, President and CEO since July, 1991. A Director since 1982. Prior to joining Snap-on, he was President of Macwhyte Company from 1981 to 1991.	
MICHAEL F. MONTEMURRO	(45)
Senior Vice President -- Finance and Chief Financial Officer since March, 1990. Vice President -- Marketing Services from June, 1989 to February, 1990. Treasurer from April, 1982 to June, 1989.	

NAME POSITION AND BUSINESS EXPERIENCE	AGE
JAY H. SCHNABEL	(51)
Senior Vice President -- Administration since April, 1990, and Acting President and Chief Executive Officer -- Sun Electric Corporation since December, 1992. Senior Vice President -- Manufacturing and Research & Engineering from November, 1988 to April, 1990. A Director since August, 1989.	
DR. JAMES L. SOMERS	(50)
Senior Vice President -- Manufacturing and Technology since January, 1992. Senior Vice President -- Manufacturing and Research & Engineering from April, 1990 to January, 1992. Vice President -- Corporate Manufacturing from January, 1987 to April, 1990.	
BRANKO M. BERONJA	(59)
Vice President -- Sales, North America since January, 1989. Vice President -- General Sales Manager from August, 1988 to January, 1989.	
GREGORY D. JOHNSON	(44)
Controller since April, 1992. Financial Controller -- Asia/Pacific from April, 1991 to April, 1992. Director -- Budgets, Corporate Cost and International Accounting from April, 1984 to April, 1991.	
SUSAN F. MARRINAN	(45)
Vice President, Secretary and General Counsel since January, 1992. Secretary and General Counsel since November, 1990. Prior to joining Snap-on, she was Vice President, General Counsel and Corporate Secretary for H. B. Fuller from 1987 to November, 1990.	

PART II

ITEM 5: MARKET FOR REGISTRANT'S
COMMON EQUITY AND RELATED
STOCKHOLDER MATTERS

At January 1, 1994, the Corporation had 42,568,696 shares of common stock outstanding. Approximately 65% of these shares were in the hands of institutional owners.

Since 1991, the Corporation has offered shareholders a no-commission dividend reinvestment program which entitles them to reinvest the cash dividends from all or a portion of their common stock holdings to buy additional shares. The program also permits shareholders to invest cash (not less than $100 and not more than $5,000 per calendar quarter) for additional shares that are purchased for them each month. Participation is voluntary and cost-free. In 1993, 2,452 shareholders, representing approximately 1% of the Corporation's shares outstanding, participated in the program, which is administered by the Corporation's Transfer Agent and Registrar, Harris Trust and Savings Bank.

Additional information required by Item 5 is contained on Page 38 of the Corporation's 1993 Annual Report and is incorporated herein by reference to said Annual Report.

ITEM 6: SELECTED FINANCIAL DATA

The information required by Item 6 is contained on pages 36 and 37 of the Corporation's 1993 Annual Report and is incorporated herein by reference to said Annual Report.

ITEM 7: MANAGEMENT DISCUSSION AND
ANALYSIS OF RESULTS OF OPERATIONS AND
FINANCIAL CONDITION

The information required by Item 7 is contained on pages 16-20 of the Corporation's 1993 Annual Report and is incorporated herein by reference to said Annual Report.

ITEM 8: FINANCIAL STATEMENTS AND
SUPPLEMENTARY DATA

The information required by Item 8 is contained on pages 21-34 of the Corporation's 1993 Annual Report and is incorporated herein by reference to said Annual Report.

ITEM 9: DISAGREEMENTS 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 18, 1994, and is incorporated herein by reference to said Proxy Statement. In respect to information as to the Corporation's executive officers, see caption "Executive

Officers of the Registrant" at the end of Part I of this report.

The disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is contained in the Corporation's Proxy Statement, dated March 18, 1994, and is incorporated herein by reference to said Proxy Statement on page 12.

ITEM 11: EXECUTIVE COMPENSATION

The information required by Item 11 is contained in the Corporation's Proxy Statement, dated March 18, 1994, and is incorporated herein by reference to said Proxy Statement on pages 6-10.

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 18, 1994, and is incorporated herein by reference to said Proxy Statement on page 5.

ITEM 13: CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

None.

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 Tools Corporation, and the Auditors' Report thereon, included in the 1993 Annual Report of the Corporation to its shareholders for the year ended January 1, 1994, are incorporated by reference in Item 8:

Consolidated Balance Sheets as of January 1, 1994 and January 2, 1993.

Consolidated Statements of Earnings for the years ended January 1, 1994, January 2, 1993 and December 28, 1991.

Consolidated Statements of Shareholders' Equity for the years ended January 1, 1994, January 2, 1993 and December 28, 1991.

Consolidated Statements of Cash Flows for the years ended January 1, 1994, January 2, 1993 and December 28, 1991.

Notes to Consolidated Financial Statements.

2. LIST OF FINANCIAL STATEMENT SCHEDULES

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

SCHEDULE VIII	Valuation and Qualifying Accounts	pg. 20
SCHEDULE IX	Short-Term Borrowings	21
SCHEDULE X	Supplementary Income	

Statement Information 22

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 1993 Annual Report in the Notes to Consolidated Financial Statements for the years ended January 1, 1994, January 2, 1993 and December 28, 1991, which are incorporated by reference in Item 8.

3. LIST OF EXHIBITS

THE FOLLOWING EXHIBITS ARE FILED AS A SEPARATE SECTION OF THIS REPORT.

(3) (a) Restated Certificate of Incorporation, filed as Exhibit 3(a) to the Corporation's Quarterly Report on Form 10-Q for the quarterly period ended March 28, 1992, is incorporated herein by reference thereto.

(b) Bylaws of the Corporation, filed as Exhibit 3(b) to the Corporation's Quarterly Report on Form 10-Q for the quarterly period ended June 27, 1992, is incorporated herein by reference thereto.

(4) Rights Agreement dated as of October 23, 1987, between the Corporation and Harris Trust and Savings Bank, as Rights Agent, filed as Exhibit 1 to the Corporation's Registration Statement on Form 8-A dated October 26, 1987, is incorporated herein by reference thereto. A Form 8-K, dated June 4, 1992, was filed reporting an amendment to this Rights Agreement and is incorporated herein by reference. No financial statements were filed. On January 28, 1994, the Board of Directors adopted amendments to the Rights Agreement. A Form 8-K dated January 28, 1994 reporting these amendments was filed and is incorporated herein by reference. No financial statements were filed. 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, 1994. 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) Incentive Stock Option Plan, filed as Exhibit 10(a) to the Corporation's Annual Report on Form 10-K for the fiscal year ended December 29, 1990, is incorporated herein by reference thereto.

(b) Executive and Senior Officer Agreements, amended and restated, and effective as of January 28, 1994.

(c) Indemnification Agreement for Directors, contained in the Proxy Statement dated March 23, 1990, Commission File No. 1-7724 mailed on March 23, 1990, is incorporated herein by reference thereto.

(d) Snap-on Tools Corporation Supplemental Retirement Plan, amended as of January 28, 1994.

(13) Annual Report to Shareholders

(22) Subsidiaries of the Corporation

ITEM 14(B): REPORTS ON FORM 8-K

No reports on Form 8-K were filed during the last quarter of the period covered by this report.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS
ON FINANCIAL STATEMENT SCHEDULES

We have audited, in accordance with generally accepted auditing standards, the financial statements included in Snap-on Tools Corporation's (the "Corporation") Annual Report to Shareholders, incorporated by reference in this Form 10-K, and have issued our report thereon dated February 4, 1994. Our report on the financial statements includes an explanatory paragraph with respect to the change in its method of accounting for postretirement health benefits other than pensions in 1991, as discussed in Note 1c to the financial statements. Our audit was made for the purpose of forming an opinion on those statements taken as a whole. The schedules listed on pages 22 to 24 are the responsibility of the Corporation's management and are presented for purposes of complying with the Securities and Exchange Commission's rules and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

ARTHUR ANDERSEN & CO.

Milwaukee, Wisconsin
February 4, 1994

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CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our reports included (or 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 and 33-57898.

ARTHUR ANDERSEN & CO.

Milwaukee, Wisconsin
March 14, 1994

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 TOOLS CORPORATION
- --

By: -- Date: ---------------

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

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.

Date:
-- ---------------
R. A. Cornog, Chairman of the Board,
President, Chief Executive Officer, and Director

Date:
-- ---------------
J. H. Schnabel, Senior Vice President -- Administration,
and Director

Date:
-- ---------------
M. F. Montemurro, Principal Financial Officer,
and Senior Vice President -- Finance

Date:
-- ---------------
G. D. Johnson, Principal Accounting Officer,
and Controller

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.

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: Date:
-- ---------------
R. F. Farley, Director

By: Date:
-- ---------------
A. L. Kelly, Director

By: Date:
-- ---------------
R. J. Decyk, Director

By: -- Date: ---------------
B. S. Chelberg, Director

By: -- Date: ---------------
G. W. Mead, Director

By: -- Date: ---------------
E. H. Rensi, Director

By: -- Date: ---------------
D. W. Brinckman, Director

EXHIBIT INDEX

ITEM 14(C): EXHIBITS PAGE

(13) (a) Restated Certificate of Incorporation of the Corporation, filed as Exhibit 3(a) to the Corporation's Quarterly Report on Form 10-Q for the quarterly period ended March 28, 1992, is incorporated herein by reference thereto.
(b) Bylaws of the Corporation, filed as Exhibit 3(b) to the Corporation's Quarterly Report on Form 10-Q for the quarterly period ended June 27,1992, is incorporated herein by reference thereto.

(4) Rights Agreement dated as of October 23, 1987 between the Corporation and Harris Trust and Savings Bank, as Rights Agent, filed as Exhibit 1 to the Corporation's Registration Statement on Form 8-A dated October 26, 1987, is incorporated herein by reference thereto. A Form 8-K, dated June 4, 1992, was filed reporting an amendment to this Rights Agreement and is incorporated herein by reference. No financial statements were filed. On January 28, 1994, the Board of Directors adopted amendments to the Rights Agreement. A Form 8-K dated January 28, 1994 reporting these amendments was filed and is incorporated herein by reference. No financial statements were filed. 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, 1994. 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) Incentive Stock Option Plan, filed as Exhibit 10(a) to the Corporation's Annual Report on Form 10-K for the fiscal year ended December 29, 1990, is incorporated herein by reference thereto.
(b) Executive and Senior Officer Agreements, amended and restated, and effective as of January 28, 1994. 23
(c) Indemnification Agreement for Directors, contained

in the Proxy Statement dated March 23, 1990,
Commission File No. 1-7724 mailed on March 23, 1990,
is incorporated herein by reference thereto.

(d) Snap-on Tools Corporation Supplemental Retirement Plan, amended as of January 28, 1994. 49

(13) Annual Report to Shareholders 56

(22) Subsidiaries of the Corporation 55

Snap-On Tools Corporation

SCHEDULE VIII - VALUATION AND QUALIFYING ACCOUNTS AND RESERVES

Description	Balance at beginning Of Year	Balance of Subsidiary at time of Acquisition	Charged to costs and Expenses	Deductions	Balance at end of Year
ALLOWANCE FOR DOUBTFUL ACCOUNTS					
Year ended (1) January 1, 1994	$12,586,976	$1,443,272	$14,496,553	$13,580,593(1)	$14,946,208
Year ended (1) January 2, 1993	$ 5,825,307	$4,547,379	$11,575,491	$ 9,361,201(1)	$12,586,976
Year ended (1) December 28, 1991	$ 3,972,949	--	$ 9,327,458	$ 7,475,100(1)	$ 5,825,307

<FN>

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

Description	Balance at beginning Of Year	Balance of Subsidiary at time of Acquisition	Charged to costs and Expenses	Deductions	Balance at end of Year
VALUATION ALLOWANCE FOR DEFERRED TAX ASSET(2)					
Year ended January 1, 1994	$11,797,000	--	--	$ 2,258,000	$ 9,539,000
Year ended January 2, 1993	$ 4,000,000(3)	$4,978,000	$ 2,819,000	--	$11,797,000

<FN>

(2) The Corporation adopted Statement of Financial Accounting Standards (SFAS) No. 109, "Accounting for Income Taxes" effective the beginning of 1992. Therefore no prior year information is applicable for 1991.

(3) This amount represents the valuation allowance established at the time of adoption.

Snap-On Tools Corporation

SCHEDULE IX - SHORT-TERM BORROWINGS

Years Ended January 1, 1994, January 2, 1993 and December 28, 1991

Balance	Weighted Average	Maximum Amount Outstanding	Average Amount Outstanding	Weighted Average Interest Rate

Category of Aggregate Short-Term Borrowings	At End Of Period	Interest Rate	During the Period	During the Period	During the Period
Year Ended January 1, 1994:					
Commercial Paper	$65,250,000	3.34%	$ 75,000,000	$24,416,209	3.22%
Notes Payable Banks	1,037,644	8.87%	38,812,195	16,442,023	8.00%
	$66,287,644				
Year Ended January 2, 1993:					
Commercial Paper	$41,000,000	3.58%	$108,000,000	$19,538,462	3.26%
Notes Payable Banks	25,902,586	9.10%	39,807,473	18,351,143	8.83%
	$66,902,586				
Year Ended December 28, 1991:					
Commercial Paper	$ --	--%	$ 75,000,000	$35,017,184	6.52%
Notes Payable Banks	--	--%	21,000,000	3,947,802	6.16%
	$ --				

The additional information required by this schedule is contained in Note 5 to the Financial Statements of the Corporation on page 28 of its 1993 Annual Report and is incorporated herein by reference.

Snap-on Tools Corporation

SCHEDULE X - SUPPLEMENTARY INCOME STATEMENT INFORMATION

Column A Item	Column B Amount
Maintenance and Repairs	
Year Ended January 1, 1994	$16,794,068
Year Ended January 2, 1993	$15,517,000
Year Ended December 28, 1991	$15,119,000

Amortization of intangible assets, royalties, advertising costs and taxes, other than payroll and income taxes, are not included on this schedule since each of the items is less than 1% of total sales and revenues.

EXHIBIT 10(b)

RESTATED EXECUTIVE AGREEMENT

THIS RESTATED EXECUTIVE AGREEMENT ("Agreement") is entered into this 28th day of January, 1994, by and between SNAP-ON TOOLS CORPORATION, a Delaware corporation (the "Company") and , an executive of the Company (the "Executive").

WHEREAS, the Company and the Executive had entered into an Agreement effective as of January 4, 1991, and amended and restated this Agreement effective as of January 22, 1993;

WHEREAS, the Board of Directors of the Company has determined that the Executive has made, and is expected to continue to make, an essential contribution to the profitability, growth and financial strength of the Company;

WHEREAS, the Company wishes to amend and restate the Executive's Restated Executive Agreement to continue to encourage the Executive to devote his entire time and attention to the pursuit of Company matters without distractions relating to his employment security;

WHEREAS, the Company intends that this Agreement will provide the Executive with certain minimum compensation rights in the event of the termination of his employment by the Company without cause or in the event the Company adversely changes the terms and conditions of his employment in a manner which would constitute constructive termination following a Change of Control of the Company.

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

1. DEFINITIONS. As used in this Agreement, the following terms shall have the following meanings when used herein:

a. CAUSE. The term "Cause" shall mean that the Executive shall, prior to any Termination of Employment (as that term is hereafter defined) have:

(i) engaged in any act of fraud, embezzlement, or theft in connection with his duties as an Executive or in the course of employment with the Company or its subsidiaries;

(ii) wrongfully disclosed any secret process or confidential information of the Company or its subsidiaries; or

(iii) engaged in any Competitive Activity (as that term is hereafter defined); and the act or failure to act shall have been determined by the Board of Directors to have been materially harmful to the Company.

b. COMPETITIVE ACTIVITY. The term "Competitive Activity" shall mean the Executive's participation without the written consent of the Board of Directors of the Company in the management of any business enterprise which manufactures or sells any product or service competitive with any product or service of the Company or its subsidiaries. Competitive Activity

shall not include the ownership of less than five (5) percent of the securities in any enterprise and exercise of any ownership rights related thereto.

c. CHANGE OF CONTROL. "Change of Control" shall be deemed to have occurred if (1) any person (as such term is used in Section 13(d) of the Securities Exchange Act of 1934 (the "1934 Act"), excluding the Company or any of its subsidiaries, a trustee or any fiduciary holding securities under an employee benefit plan of the Company or any of its subsidiaries, an underwriter temporarily holding securities pursuant to an offering of such

securities or a corporation owned, directly or indirectly, by stockholders of the Company in substantially the same proportions as their ownership of the Company) shall become the beneficial owner (within the meaning of Rule 13d-3 under the 1934 Act) of 50 percent or more of the outstanding voting securities of the Company, (2) the Company shall be merged or consolidated with another corporation and as a result of such merger or consolidation less than 50 percent of the outstanding voting securities of the surviving or resulting corporation shall be owned in the aggregate by the former stockholders of the Company, (3) the Company shall sell 50 percent or more of its assets (in one transaction or a series of related transactions within any period of 24 consecutive months) or the stockholders approve a plan of complete liquidation of the Company, or (4) during any period of 24 consecutive months individuals who at the beginning of such period constituted the entire Board of Directors of the Company shall cease for any reason to constitute a majority thereof unless the election or the nomination for election by the Company's stockholders of each new director was approved by a vote of at least two-thirds of the directors then still in office who were directors at the beginning of the period or whose election or nomination for election was previously so approved.

d. TERMINATION OF EMPLOYMENT. The term "Termination of Employment" shall mean:

(i) any termination by the Company of the employment of the Executive for any reason other than for Cause within a period of two (2) years following a Change of Control of the Company;

(ii) voluntary termination by the Executive of his employment within a period of two (2) years following a Change of Control of the Company and subsequent to the

occurrence, following a Change of Control of the Company and without the Executive's consent, of (A) a material and adverse change in the Executive's status, authority, duties, function, or benefits, (B) any reduction in the Executive's base salary or percentage of base salary available as an incentive bonus opportunity or the failure to pay the Executive's base salary or earned bonus when due, (C) the relocation of the Company's principal executive offices or the Executive's place of employment to a location more than 35 miles from their respective locations immediately prior to a Change of Control of the Company, or (D) the failure of the Company to obtain from a successor the assumption and agreement to perform this Agreement (as described in Section 4.a.) prior to the effectiveness of any such succession; or

(iii) voluntary termination by the Executive of his employment following completion of one year of service after a Change of Control of the Company; provided that the voluntary termination must be effected by the Executive within six (6) months after the completion of that

one year of service.

Any election by the Executive to terminate his employment as contemplated by this section shall not be deemed a voluntary termination of employment by the Executive for the purpose of any other employee benefit or other plan.

The Executive may not be terminated for Cause prior to the receipt by the Executive of a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters (3/4) of the entire membership of the Board of Directors at a meeting of the Board of Directors called and held for the purpose of considering such termination (after reasonable notice to the Executive and an opportunity for the Executive, together with the Executive's counsel, to be heard before the Board of Directors) finding that, in the good faith opinion of the Board

of Directors, the Executive was guilty of conduct set forth in the definition of Cause herein, and specifying the particulars thereof in detail.

2. COMPENSATION AND BENEFITS. In the event of a Termination of Employment of the Executive, the Company shall provide the Executive with the following compensation and benefits:

a. GENERAL COMPENSATION AND BENEFITS. If the Executive's employment shall be terminated for any reason following a Change in Control and during the term of this Agreement, the Company shall pay the Executive's full salary to the Executive through the date of termination at the rate in effect at the time notice of termination is given, together with all compensation and benefits payable to the Executive through the date of termination under the terms of any compensation or benefit plan, program or arrangement maintained by the Company during such period. Such payments shall be made in a lump sum not later than five (5) days after such termination. If the Executive's employment shall be terminated for any reason following a Change in Control and during the term of this Agreement, the Company shall pay the Executive's normal post-termination compensation and benefits to the Executive as such payments become due. Such post-termination compensation and benefits shall be determined under, and paid in accordance with, the Company's retirement, insurance and other compensation or benefit plans, programs and arrangements.

b. INCENTIVE COMPENSATION. Notwithstanding any provision of any cash bonus incentive plan of the Company, the Company shall pay to the Executive, within five (5) days after the Executive's date of termination, a lump sum amount, in cash, equal to the sum of (i) any bonus or incentive compensation which has been allocated or awarded to the Executive for

a completed fiscal year or other measuring period preceding the date of termination under the plan but has not yet been paid (pursuant to Section 2.a. hereof or otherwise), and (ii) a pro rata portion to the date of termination of the aggregate value of all contingent incentive compensation awards to the Executive for all uncompleted periods under the plan calculated as to each such award as if the "GOAL" with respect to such incentive compensation award had been attained.

c. COMPENSATION. The Company shall pay to the Executive, a lump sum equal to two (2) times the sum of (a) the highest per annum base rate of salary in effect with respect to the Executive during the 3-year period immediately prior to Termination of Employment plus (b) the highest annual

bonus earned by the Executive under any cash incentive compensation plan of the Company during the three (3) fiscal years of the Company immediately preceding Termination of Employment; PROVIDED, HOWEVER, if the Executive had not been eligible to earn a bonus under a cash incentive compensation plan of the Company prior to the fiscal year in which Termination of Employment occurs, the amount for this clause (b) shall be the higher of (i) the Executive's incentive compensation "GOAL" for the fiscal year in which Termination of Employment occurs or (ii) the highest average annual bonus earned during the three (3) fiscal years of the Company immediately preceding Termination of Employment under any cash incentive compensation plan of the Company by the group of executives of the Company participating under such plan during such fiscal years at the level at which the Executive would have participated pursuant to his position as of Termination of Employment. The lump sum shall be paid to the Executive not later than five (5) days after such termination.

d. BENEFITS. For a 3-year period following Termination of Employment, the Company shall provide the Executive with health, disability, life and other insurance benefits

substantially similar to the benefits received by the Executive pursuant to the Company's benefit programs as in effect immediately prior to a Change of Control (or, if more favorable to the Executive, as in effect immediately prior to the Executive's Termination of Employment) provided, however, that no compensation or benefits provided hereunder shall be treated as compensation for purposes of any of the programs or shall result in the crediting of additional service thereunder.

e. ADDITIONAL PAYMENTS. Notwithstanding any other provisions of this Agreement, in the event that any payment or benefit received or to be received by the Executive in connection with a Change of Control of the Company or the termination of the Executive's employment, whether pursuant to the terms of this Agreement or any other plan, arrangement or agreement with the Company, any entity whose actions result in a Change of Control of the Company or any entity affiliated with the Company or such entity (all such payments and benefits being hereinafter called "Total Payments"), would be subject (in whole or part) to the excise tax (the "Excise Tax") under Section 4999 of the Internal Revenue Code of 1986, as amended (the "Code"), then the Company shall pay to the Executive an additional amount (the "Gross-Up Payment") such that the net amount retained by the Executive, after deduction of any Excise Tax on the Total Payments and any federal, state and local income tax and Excise Tax upon the payment provided for by this Section 2.e., shall be equal to the Total Payments. For purposes of determining the amount of the Gross-Up Payment, the Executive shall be deemed to pay federal income taxes at the highest marginal rate of federal income taxation in the calendar year in which the Gross-Up Payment is to be made and state and local income taxes at the highest marginal rate of taxation in the state of locality of the Executive's residence on

the date of termination, net of the maximum reduction in federal income taxes which could be obtained from deduction of such state and local taxes. In the event that the Excise Tax is subsequently determined to be less than the amount taken into account hereunder at the time of termination of Executive's employment, the Executive shall repay to the Company, at the time that the amount of such reduction in Excise Tax is finally determined, the portion of the Gross-Up Payment attributable to such reduction (plus that portion of the Gross-Up Payment attributable to the Excise Tax and federal, state and local income tax imposed on the Gross-Up Payment being repaid by the Executive to

the extent that such repayment results in a reduction in Excise Tax and/or a federal, state or local income tax deduction) plus interest on the amount of such repayment at the rate provided in section 1274 (b) (2) (B) of the Code. In the event that the Excise Tax is determined to exceed the amount taken into account hereunder at the time of the termination of the Executive's employment (including by reason of any payment the existence or amount of which cannot be determined at the time of the Gross-Up Payment), the Company shall make an additional Gross-Up Payment in respect of such excess (plus any interest, penalties or additions payable by the Executive with respect to such excess) at the time that the amount of such excess is finally determined.

For purposes of determining whether and the extent to which the Total Payments will be subject to the Excise Tax under this Section 2.e., (i) no portion of the Total Payments the receipt or enjoyment of which the Executive shall have effectively waived in writing prior to the date of termination shall be taken into account, (ii) no portion of the Total Payments shall be taken into account which in the opinion of tax counsel selected by the Company does not constitute a "parachute payment" within the meaning of Section 280G(b) (2) of the Code, (including by

reason of Section 280G(b) (4) (A) of the Code) and, in calculating the Excise Tax, no portion of such Total Payments shall be taken into account which constitutes reasonable compensation for services actually rendered, within the meaning of Section 280G(b) (4) (B) of the Code, in excess of the "base amount" (as defined in Section 280G(b) (3) of the Code) allocable to such reasonable compensation, and (iii) the value of any noncash benefit or any deferred payment or benefit included in the Total Payments shall be determined by the Company in accordance with the principles of Sections 280G(d) (3) and (4) of the Code. The Executive and the Company shall each reasonably cooperate with the other in connection with any administrative or judicial proceedings concerning the existence or amount of liability for Excise Tax with respect to the Total Payments. Notwithstanding anything to the contrary in this Agreement, the Board of Directors of the Company, by written notice to the Executive, may cause the provisions of this Section 2.e. to be deleted from this Agreement. Any such notice shall be given at least 15 days prior to the effective date of such deletion, provided that such deletion may not be effective prior to February 1, 1997.

f. NEW EMPLOYMENT. If the Executive secures new employment during the three (3) year period following Termination of Employment, the amount of any benefit being provided pursuant to Section 2.d. hereof shall be reduced to the extent that any such benefit is being provided by the Executive's new employer. The Executive, however, shall be under no obligation to seek new employment and, in any event, no amounts payable pursuant to Section 2.c. hereof shall be reduced or offset by any compensation received from new employment or by any amounts claimed to be owed by the Executive to the Company.

g. LEGAL FEES. The Company shall also pay to the Executive all reasonable legal fees and expenses incurred by the Executive in disputing in good faith any termination of employment or in seeking in good faith to obtain or enforce any benefit or right provided by this Agreement or in connection with any tax audit or proceeding to the extent attributable to the application of Section 4999 of the Code to any payment or benefit provided hereunder. Such payments shall be made within five (5) business days after delivery of the Executive's written requests for payment accompanied with such evidence of fees and expenses incurred as the Company reasonably may require.

3. TERM. This Agreement shall commence on the date hereof January 28, 1994 and shall continue in effect through January 31, 1996; provided, however, that commencing on February 1, 1997 and each February 1 thereafter, the term of this Agreement shall automatically be extended for one (1) additional year unless not later than October 31 of the preceding year, the Company or the Executive shall have given notice not to extend this Agreement; provided, further, however, if a Change of Control of the Company shall have occurred during the initial or extended term of this Agreement, this Agreement shall continue in effect for a period of twenty-four (24) months beyond the month in which such Change of Control of the Company occurred. Notwithstanding anything herein to the contrary, this Agreement shall terminate upon the termination of the Executive's employment with the Company as a result of death, disability or Cause (as defined in Section 1.a.) or by the Executive other than pursuant to Sections 1.d.(ii) or (iii).

4. SUCCESSORS AND BINDING AGREEMENTS.

a. The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidated, reorganization or otherwise) to all or substantially all 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 the 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 section. Without limiting the generality of the foregoing, the Executive's right to receive payments hereunder shall not be assignable or transferable, whether by pledge, creation of a security interest or otherwise other than by a transfer by will or the laws of descent and distribution or transfer contrary to this section, the Company shall have no liability to pay any amount so attempted to be assigned or transferred.

5. 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.

6. 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.

7. SETTLEMENT OF DISPUTES; ARBITRATION. Any dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration in Chicago, Illinois in accordance with the rules of the American Arbitration Association then in effect. Judgment may be entered on the arbitrator's award in any court having jurisdiction; provided, however, that the Executive shall be entitled, during the pendency of any such dispute or controversy, to continue to receive compensation and benefits as an active employee.

8. VALIDITY. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement which shall remain in full force and effect.

9. ENTIRE AGREEMENT. This Agreement constitutes the entire understanding and agreement of the parties with respect to the matters discussed herein and supersedes all other prior agreements and understandings, written or oral, between the parties with respect thereto. There are no representations, warranties or agreements of any kind relating thereto that are not set forth in this Agreement.

10. WITHHOLDING. The Company may withhold from any amounts payable under this Agreement all federal, state and other taxes as shall be legally required.

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 of its subsidiaries for any period of time.

* * *

IN WITNESS WHEREOF, the parties have executed this Agreement on the day and date first written above.

SNAP-ON TOOLS CORPORATION

By: --

Robert A. Cornog

Its: Chairman, President and Chief Executive Officer

Executive

RESTATED SENIOR OFFICER AGREEMENT

THIS RESTATED SENIOR OFFICER AGREEMENT ("Agreement") is entered into this 28th day of January, 1994, by and between SNAP-ON TOOLS CORPORATION, a Delaware corporation (the "Company") and , a senior officer of

the Company (the "Executive").

WHEREAS, the Company and the Executive had entered into a Senior Officer Agreement effective as of January 4, 1991, and amended and restated this Agreement effective as of January 22, 1993;

WHEREAS, the Board of Directors of the Company has determined that the Executive has made, and is expected to continue to make, an essential contribution to the profitability, growth and financial strength of the Company;

WHEREAS, the Company wishes to amend and restate the Executive's Restated Senior Officer Agreement to continue to encourage the Executive to devote his entire time and attention to the pursuit of Company matters without distractions relating to his employment security;

WHEREAS, the Company intends that this Agreement will provide the Executive with certain minimum compensation rights in the event of the termination of his employment by the Company without cause or in the event the Company adversely changes the terms and conditions of his employment in a manner which would constitute constructive termination following a Change of Control of the Company.

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

1. DEFINITIONS. As used in this Agreement, the following terms shall have the following meanings when used herein:

a. CAUSE. The term "Cause" shall mean that the Executive shall, prior to any Termination of Employment (as that term is hereafter defined) have:

(i) engaged in any act of fraud, embezzlement, or theft in connection with his duties as an executive or in the course of employment with the Company or its subsidiaries;

(ii) wrongfully disclosed any secret process or confidential information of the Company or its subsidiaries; or

(iii) engaged in any Competitive Activity (as that term is hereafter defined); and the act or failure to act shall have been determined by the Board of Directors to have been materially harmful to the Company.

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

c. CHANGE OF CONTROL. "Change of Control" shall be deemed to have occurred if (1) any person (as such term is used in Section 13(d) of the Securities Exchange Act of 1934 (the "1934 Act"), excluding the Company or any of its subsidiaries, a trustee or any fiduciary holding securities under an employee benefit plan of the Company or any of its

subsidiaries, an underwriter temporarily holding securities pursuant to an offering of such securities or a corporation owned, directly or indirectly, by stockholders of the Company in substantially the same proportions as their ownership of the Company) shall become the beneficial owner (within the meaning of Rule 13d-3 under the 1934 Act) of 50 percent or more of the outstanding voting securities of the Company, (2) the Company shall be merged or consolidated with another corporation and as a result of such merger or consolidation less than 50 percent of the outstanding voting securities of the surviving or resulting corporation shall be owned in the aggregate by the former stockholders of the Company, (3) the Company shall sell 50 percent or more of its assets (in one transaction or a series of related transactions within any period of 24 consecutive months) or the stockholders approve a plan of complete liquidation of the Company, or (4) during any period of 24 consecutive months individuals who at the beginning of such period constituted the entire Board of Directors of the Company shall cease for any reason to constitute a majority thereof unless the election or the nomination for election by the Company's stockholders of each new director was approved by a vote of at least two-thirds of the directors then still in office who were directors at the beginning of the period or whose election or nomination for election was previously so approved.

d. TERMINATION OF EMPLOYMENT. The term "Termination of Employment" shall mean:

(i) any termination by the Company of the employment of the Executive for any reason other than for Cause within a period of two (2) years following a Change of Control of the Company;

(ii) voluntary termination by the Executive of his employment within a period of two (2) years following a Change of Control of the Company and subsequent to the occurrence, following a Change of Control of the Company and without the Executive's consent, of (A) a material and adverse change in the Executive's status, authority, duties, function, or benefits, (B) any reduction in the Executive's base salary or percentage of base salary available as an incentive bonus opportunity or the failure to pay the Executive's base salary or earned bonus when due, (C) the relocation of the Company's principal executive offices or the Executive's place of employment to a location more than 35 miles from their respective locations immediately prior to a Change of Control of the Company, or (D) the failure of the Company to obtain from a successor the assumption and agreement to perform this Agreement (as described in Section 4.a.) prior to the effectiveness of any such succession; or

(iii) voluntary termination by the Executive of his employment following completion of one year of service after a Change of Control of the Company; provided that the voluntary termination must be effected by the Executive within six (6) months after the completion of that one year of service.

Any election by the Executive to terminate his employment as contemplated by this section shall not be deemed a voluntary termination of employment by the Executive for the purpose of any other employee benefit or other plan.

The Executive may not be terminated for Cause prior to the receipt by the Executive of a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters (3/4) of the entire membership of the Board of Directors at a meeting of the Board of Directors called and held for the purpose of considering such termination (after reasonable notice

to the Executive and an opportunity for the Executive, together with the Executive's counsel, to be heard before the Board of Directors) finding that, in the good faith opinion of the Board of Directors, the Executive was guilty of conduct set forth in the definition of Cause herein, and specifying the particulars thereof in detail.

2. COMPENSATION AND BENEFITS. In the event of a Termination of Employment of the Executive, the Company shall provide the Executive with the following compensation and benefits:

a. GENERAL COMPENSATION AND BENEFITS. If the Executive's employment shall be terminated for any reason following a Change in Control and during the term of this Agreement, the Company shall pay the Executive's full salary to the Executive through the date of termination at the rate in effect at the time notice of termination is given, together with all compensation and benefits payable to the Executive through the date of termination under the terms of any compensation or benefit plan, program or arrangement maintained by the Company during such period. Such payments shall be made in a lump sum not later than five (5) days after such termination. If the Executive's employment shall be terminated for any reason following a Change in Control and during the term of this Agreement, the Company shall pay the Executive's normal post-termination compensation and benefits to the Executive as such payments become due. Such post-termination compensation and benefits shall be determined under, and paid in accordance with, the Company's retirement, insurance and other compensation or benefit plans, programs and arrangements.

b. INCENTIVE COMPENSATION. Notwithstanding any provision of any cash bonus incentive plan of the Company, the Company shall pay to the Executive, within five (5) days

after the Executive's date of termination, a lump sum amount, in cash, equal to the sum of (i) any bonus or incentive compensation which has been allocated or awarded to the Executive for a completed fiscal year or other measuring period preceding the date of termination under the plan but has not yet been paid (pursuant to Section 2.a. hereof or otherwise), and (ii) a pro rata portion to the date of termination of the aggregate value of all contingent incentive compensation awards to the Executive for all uncompleted periods under the plan calculated as to each such award as if the "GOAL" with respect to such incentive compensation award had been attained.

c. COMPENSATION. The Company shall pay to the Executive, a lump sum equal to three (3) times the sum of (a) the highest per annum base rate of salary in effect with respect to the Executive during the 3-year period immediately prior to Termination of Employment plus (b) the highest annual bonus earned by the Executive under any cash incentive compensation plan of the Company during the three (3) fiscal years of the Company immediately preceding Termination of Employment; PROVIDED, HOWEVER, if the Executive had not been eligible to earn a bonus under a cash incentive compensation plan of the Company prior to the fiscal year in which Termination of Employment occurs, the amount for this clause (b) shall be the higher of (i) the Executive's incentive compensation "GOAL" for the fiscal year in which Termination of Employment occurs or (ii) the highest average annual bonus earned during the three (3) fiscal years of the Company immediately preceding Termination of Employment under any cash incentive compensation plan of the Company by the group of executives of the Company participating under such plan during such fiscal years at the level at which the Executive would have participated pursuant to his position as of Termination of Employment. The lump sum shall be paid to the Executive not later than five (5) days after

such termination.

d. BENEFITS. For a 3-year period following Termination of Employment, the Company shall provide the Executive with health, disability, life and other insurance benefits substantially similar to the benefits received by the Executive pursuant to the Company's benefit programs as in effect immediately prior to a Change of Control (or, if more favorable to the Executive, as in effect immediately prior to the Executive's Termination of Employment); provided, however, that no compensation or benefits provided hereunder shall be treated as compensation for purposes of any of the programs or shall result in the crediting of additional service thereunder.

e. ADDITIONAL PAYMENTS. Notwithstanding any other provisions of this Agreement, in the event that any payment or benefit received or to be received by the Executive in connection with a Change of Control of the Company or the termination of the Executive's employment, whether pursuant to the terms of this Agreement or any other plan, arrangement or agreement with the Company, any entity whose actions result in a Change of Control of the Company or any entity affiliated with the Company or such entity (all such payments and benefits being hereinafter called "Total Payments"), would be subject (in whole or part) to the excise tax (the "Excise Tax") under Section 4999 of the Internal Revenue Code of 1986, as amended (the "Code"), then the Company shall pay to the Executive an additional amount (the "Gross-Up Payment") such that the net amount retained by the Executive, after deduction of any Excise Tax on the Total Payments and any federal, state and local income tax and Excise Tax upon the payment provided for by this Section 2.e., shall be equal to the Total Payments. For purposes of determining the amount of the Gross-Up Payment, the Executive shall be deemed to pay federal income taxes at the highest marginal rate of federal income taxation in the

calendar year in which the Gross-Up Payment is to be made and state and local income taxes at the highest marginal rate of taxation in the state of locality of the Executive's residence on the date of termination, net of the maximum reduction in federal income taxes which could be obtained from deduction of such state and local taxes. In the event that the Excise Tax is subsequently determined to be less than the amount taken into account hereunder at the time of termination of Executive's employment, the Executive shall repay to the Company, at the time that the amount of such reduction in Excise Tax is finally determined, the portion of the Gross-Up Payment attributable to such reduction (plus that portion of the Gross-Up Payment attributable to the Excise Tax and federal, state and local income tax imposed on the Gross-Up Payment being repaid by the Executive to the extent that such repayment results in a reduction in Excise Tax and/or a federal, state or local income tax deduction) plus interest on the amount of such repayment at the rate provided in section 1274 (b) (2) (B) of the Code. In the event that the Excise Tax is determined to exceed the amount taken into account hereunder at the time of the termination of the Executive's employment (including by reason of any payment the existence or amount of which cannot be determined at the time of the Gross-Up Payment), the Company shall make an additional Gross-Up Payment in respect of such excess (plus any interest, penalties or additions payable by the Executive with respect to such excess) at the time that the amount of such excess is finally determined.

For purposes of determining whether and the extent to which the Total Payments will be subject to the Excise Tax under this Section 2.e., (i) no portion of the Total Payments the receipt or enjoyment of which the Executive shall have effectively waived in writing prior to the date of termination shall be taken into account, (ii) no portion of the Total Payments shall be

taken

into account which in the opinion of tax counsel selected by the Company does not constitute a "parachute payment" within the meaning of Section 280G(b)(2) of the Code, (including by reason of Section 280G(b) (4) (A) of the Code) and, in calculating the Excise Tax, no portion of such Total Payments shall be taken into account which constitutes reasonable compensation for services actually rendered, within the meaning of Section 280G(b) (4) (B) of the Code, in excess of the "base amount" (as defined in Section 280G(b) (3) of the Code) allocable to such reasonable compensation, and (iii) the value of any noncash benefit or any deferred payment or benefit included in the Total Payments shall be determined by the Company in accordance with the principles of Sections 280G(d) (3) and (4) of the Code. The Executive and the Company shall each reasonably cooperate with the other in connection with any administrative or judicial proceedings concerning the existence or amount of liability for Excise Tax with respect to the Total Payments. Notwithstanding anything to the contrary in this Agreement, the Board of Directors of the Company, by written notice to the Executive, may cause the provisions of this Section 2.e. to be deleted from this Agreement. Any such notice shall be given at least 15 days prior to the effective date of such deletion, provided that such deletion may not be effective prior to February 1, 1997.

f. NEW EMPLOYMENT. If the Executive secures new employment during the three (3) year period following Termination of Employment, the amount of any benefit being provided pursuant to Section 2.d. hereof shall be reduced to the extent that any such benefit is being provided by the Executive's new employer. The Executive, however, shall be under no obligation to seek new employment and, in any event, no amounts payable pursuant to Section

2.c. hereof shall be reduced or offset by any compensation received from new employment or by any amounts claimed to be owed by the Executive to the Company.

g. LEGAL FEES. The Company shall also pay to the Executive all reasonable legal fees and expenses incurred by the Executive in disputing in good faith any termination of employment or in seeking in good faith to obtain or enforce any benefit or right provided by this Agreement or in connection with any tax audit or proceeding to the extent attributable to the application of Section 4999 of the Code to any payment or benefit provided hereunder. Such payments shall be made within five (5) business days after delivery of the Executive's written requests for payment accompanied with such evidence of fees and expenses incurred as the Company reasonably may require.

3. TERM. This Agreement shall commence on the date hereof January 28, 1994, and shall continue in effect through January 31, 1996; provided, however, that commencing on February 1, 1997 and each February 1 thereafter, the term of this Agreement shall automatically be extended for one (1) additional year unless not later than October 31 of the preceding year, the Company or the Executive shall have given notice not to extend this Agreement; provided, further, however, if a Change of Control of the Company shall have occurred during the initial or extended term of this Agreement, this Agreement shall continue in effect for a period of 24 months beyond the month in which such Change of Control of the Company occurred. Notwithstanding anything herein to the contrary, this Agreement shall terminate upon the termination of the Executive's employment with the Company as a result of death, disability or Cause (as defined in Section 1.a.) or by the Executive other than pursuant to Sections 1.d.(ii) or (iii).

4. SUCCESSORS AND BINDING AGREEMENTS.

a. The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidated, reorganization or otherwise) to all or substantially all 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 the 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 section. Without limiting the generality of the foregoing, the Executive's right to receive payments hereunder shall not be assignable or transferable, whether by pledge, creation of a security interest or otherwise other than by a transfer by will or the laws of descent and distribution or transfer contrary to this section, the Company shall have no liability to pay any amount so attempted to be assigned or transferred.

5. 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.

6. 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.

7. SETTLEMENT OF DISPUTES; ARBITRATION. Any dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration in Chicago, Illinois in accordance with the rules of the American Arbitration Association then in effect. Judgment may be entered on the arbitrator's award in any court having jurisdiction; provided, however, that the Executive shall be entitled, during the pendency of any such dispute or controversy, to continue to receive compensation and benefits as an active employee.

8. VALIDITY. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement which shall remain in full force and effect.

9. ENTIRE AGREEMENT. This Agreement constitutes the entire understanding and agreement of the parties with respect to the matters discussed herein and supersedes all other prior agreements and understandings, written or oral, between the parties with respect thereto. There are no representations, warranties or agreements of any kind relating thereto that

are not set forth in this Agreement.

10. WITHHOLDING. The Company may withhold from any amounts payable under this Agreement all federal, state and other taxes as shall be legally required.

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 of its subsidiaries for any period of time.

* * *

IN WITNESS WHEREOF, the parties have executed this Agreement on the day and date first written above.

SNAP-ON TOOLS CORPORATION

By: ---

Robert A. Cornog

Its: Chairman, President and Chief Executive Officer

Executive

SNAP-ON TOOLS CORPORATION
SUPPLEMENTAL RETIREMENT PLAN FOR OFFICERS
As Amended June 28, 1991

SECTION 1 -- INTRODUCTION

1.1 PLAN. SNAP-ON TOOLS SUPPLEMENTAL RETIREMENT PLAN FOR OFFICERS (the "Plan") was originally established by Snap-on Tools Corporation for the benefit of eligible employees of that corporation and its subsidiaries that adopted the Plan with that corporation's consent. 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. Benefits payable from the Plan will be paid solely from the general assets of the Corporation or other employers under the Plan (6/28/91).

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."

1.4 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 Tools Corporation 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

(b) Such employee is a member of the Administrative and Field Plan.

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 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), and 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 (6/28/91):

(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.

(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).

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 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).

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).

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.

5.4 FACILITY OF PAYMENT. Any amounts payable hereunder to any person under legal disability or who, in the judgement 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).

* * * * *

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The management of Snap-on Tools Corporation 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 giving due consideration to materiality. 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 audits to evaluate the adequacy of internal controls and accounting practices.

The Corporation's consolidated financial statements have been audited by Arthur Andersen & Co., independent public accountants, whose report thereon appears on page 35. As part of its audit of the Corporation's consolidated financial statements, Arthur Andersen & Co. considered the Corporation's system of internal controls to the extent it deemed necessary to determine the nature, timing, and extent of its audit tests. Management has made available to Arthur Andersen & Co. the Corporations financial records and related data.

The Audit Committee of the Board of Directors is responsible for reviewing and evaluating the overall performance of the Corporations financial reporting and accounting practices. The Committee meets periodically and independently with management, internal auditors, and the independent public accountants to discuss the Corporations internal accounting controls, auditing, and financial reporting matters. The internal auditors and independent public accountants have unrestricted access to the Audit Committee.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION Fiscal Years 1993, 1992, 1991

RESULTS OF OPERATIONS

OVERVIEW - 1993 consolidated net sales increased 15.1% following an increase of 11.6% in 1992.Sales in 1993 benefited from full-year results for Sun Electric Corporation ("Sun"), which has been included only in the fourth quarter of 1992.Sales gains were strongest in Europe (largely attributable to Sun) and in other non-U.S. markets, particularly Japan.North American sales grew modestly, reflecting the inclusion of Sun sales and improved demand for power tools and diagnostic equipment.

Consolidated net earnings increased 30.1% in 1993, reflecting a more favorable sales mix of Snap-on manufactured product, lower operating expenses as a percent of net sales, and a break-even year for Sun, which reported a loss in 1992.Net earnings for 1992 increased 92.5% over 1991, including the effect of a 1991 accounting change for Statement of Financial Accounting Standards (SFAS) No. 106, "Employers' Accounting for Postretirement Benefits Other than Pensions. "Excluding the charge, net warnings for 1992 decreased 9.9% from 1991. The 1992 earnings benefited from a LIFO inventory adjustment.

(Amounts in thousands)	1993	1992	1991*
NET EARNINGS	$85,812	$65,975	$34,277
EARNINGS PER COMMON SHARE	$2.02	$1.56	$0.82

<FN>
* 1991 net earnings excluding the SFAS 106 accounting change were $73.2 million or $1.75 per share.

Sales - Sales in North America increased 4.9% in 1993, reflecting the inclusion of Sun revenues for the full year. North American sales, excluding Sun, declined 0.5%. U.S. sales were virtually unchanged, while sales in Canada rose 3.0% and Mexico declined 6.7%.

The Corporations sales in Europe were up 78.3%, again due to the full-year inclusion of Sun and strong demand for Suns vehicle emissions test equipment in Germany, which became the first Common Market country to implement a new emissions testing regulation in 1993. The 1993 revenue generated by the start-up of the Germany program was a one-time occurrence. However, the Corporation expects additional countries to begin similar programs over the next several years. Unit volume increased in the United Kingdom. Excluding Sun, net U.K. revenue rose in local currency, but declined in U.S. dollars after adjustments for currency translations.

Sales in other markets increased 60.9% after increasing 110.8% in 1992. Sales in 1993 increased strongly in Japan and Australia and benefited from the full-year inclusion of Sun as well as the expansion of the Corporations Japanese dealer force.

(Amounts in thousands)	1993	1992	1991
NORTH AMERICAN SALES (U.S., CANADA, MEXICO)	$881,817	$840,350	$794,768
EUROPEAN SALES	198,941	111,598	71,711
OTHER SALES	51,252	31,852	15,112
TOTAL SALES	$1,132,010	$983,800	$881,591

The Corporations four product groups experience varying unit volume levels from year to year. Hand tool volume, which declined slightly in 1993, is expected to grow slowly within the U.S. automotive service market due to improved vehicle quality, vehicle designs requiring fewer fasteners, and reduced turnover within a maturing technician population. Storage unit volume was flat during 1993 after a year of heavy promotion in 1992. Growth for both the hand tool and tool storage product groups will be driven by penetration of international

markets,expansion in the industrial market, and development of new products and brands. Power tools volume increased, benefiting from an expanded product line, improved quality, and greater market acceptance.Diagnostics and shop equipment recorded strong, double-digit gains,reflecting the inclusion of a full year of Sun and the successful introduction of an expanded line of products and technologies to diagnose and service air conditioning systems and transmissions, and to test vehicle emissions. Strong demand for emissions equipment and related diagnostics in Germany offset soft demand in this product

category elsewhere in Europe. Adoption of new vehicle technologies,product extensions, and new government regulations are expected to drive growth in this category. Additional sales will also come from expanded technician training services offered by the Corporation.

During the year, the Corporation increased prices by varying degrees in each of its product groups. List price increases averaged 3.5% in 1993 and 4.1% in 1992. However, promotional activities reduced the revenue benefit of these price increases.

COST AND PROFIT MARGINS - Gross profit margins were 52.6% in 1993, compared with 51.8% in 1992 and 49.6% in 1991. Three factors were primarily responsible for the higher 1993 gross margin: a more favorable mix of Snap-on-manufactured product; continued manufacturing cost reduction efforts; and a modest increase in the number of Corporation-employed sales representatives. Sales made by the Corporations employed sales force are recorded at full retail prices rather than the discounted prices charged to dealers. This employed sales force has been expanded to permit prospective franchised dealers to work in the business before committing to a franchise investment, and as a result of the expanded Snap-on/Sun Tech Systems sales force. While higher sales prices recorded for employee representatives improved gross margins, the gain was offset by higher payroll expenses.

Operating expenses as a percent of net sales declined to 39.6% compared with 40.0% in 1992 and 35.6 % in 1991. However, operating expenses increased by $55.1 million in 1993 following an increase of $79.9 million in 1992. Factors contributing to these increased operating expenses in 1993 included full-year operating costs associated with Sun; additional payroll expense with the addition of more sales representatives and expansion of the Snap-on/Sun Tech Systems sales force; expenses of J.H. Williams, acquired in September, 1993; one-time expense associated with the consolidation of inventory in four regional distribution centers and customer service into eight regional centers; and expanded selling effort in international markets. These expense increases were partially offset by reduced legal expenses.

Factors contributing to increased operating expenses in 1992 included costs associated with Sun, new payroll expenses related to the addition of sales representatives and the expansion of Tech Systems, and legal expenses.

Changes in the discount rate and actuarial assumptions used in computing pension and postretirement health care, along with other factors, will increase these costs by approximately $6.5 million in 1994 compared with 1993 with the majority of the increase appearing in operating expenses.

In November, 1992, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards (SFAS) No. 112, "Employers Accounting for

Postemployment Benefits." This statement establishes accounting standards for employers who provide certain benefits to former or inactive employees, their beneficiaries, and covered dependents after employment but before retirement. The Corporation will adopt this statement in the first quarter of 1994. The Corporation believes the effect of adopting this new standard will not be material to its financial condition or results of operations.

OTHER INCOME AND EXPENSES - Interest expense in 1993 totaled $11.2 million, largely as a result of the long-term debt incurred from the acquisition of Sun. The Corporation anticipates lower interest expense in 1994.

(Amounts in thousands)	1993	1992	1991
INTEREST EXPENSE	$(11,198)	$(5,969)	$(5,250)
INTEREST INCOME	1,971	2,100	1,209
OTHER INCOME (EXPENSE)	(1,215)	(2,231)	(1,300)
TOTAL OTHER INCOME (EXPENSE)	$(10,442)	$(6,100)	$(5,341)

RESULTS OF OPERATIONS continued

INCOME TAXES - The Corporation adopted in the first quarter of 1992 Statement of Financial Accounting Standards (SFAS) No. 109, Accounting for Income Taxes. Under SFAS 109, the balance sheet reflects deferred tax assets and liabilities and the tax benefit of net operating loss carryforwards at enacted tax rates to the extent that realization of such benefits is more likely than not.

As a result of the enactment of the Budget Reconciliation Act of 1993,the Corporation was required to pay federal income taxes at 35% rather than 34% retroactive to January 1, 1993. In accordance with SFAS No.109, the Corporation adjusted its deferred income tax balances and current taxes payable on the enactment date. The impact of adjusting net deferred tax benefits to the current federal rate resulted in a reduction in the tax provision of $2.2 million or approximately $.05 per share.

The Corporation has recorded significant deferred tax assets related to costs absorbed in inventories, employee benefits, reserves and accruals not currently deductible, and other items. Based upon the historical performance of the Corporation, it is expected that these items will be realized through future taxable income.

A valuation allowance is provided when it is more likely than not that some portion of the deferred tax asset will not be realized. The Corporation has U.S. tax net operating loss carryforwards (NOLs) as a result of the Sun acquisition totaling $68.0 million which expire as follows: 1998 - $15.7 million; 2000 - $11.3 million; 2001 - $13.4 million; 2002 - $1.3 million; 2004 - $14.0 million; 2006 - $11.9 million; and 2007 - $0.4 million. The Corporation has assessed the likelihood of utilization of these losses. The U.S. NOLs are expected to be realized through restructuring of equipment operations. The merger of the Snap-on and Sun technical systems sales teams has been completed. It is expected

that synergies between product lines and sales efforts will produce expanded sales and service support at lower cost. A $3.7 million valuation allowance has been established based upon an analysis of future utilization of these NOLs. The valuation allowance offsets a portion of the deferred income tax benefits recorded as a long-term asset.

The Corporation also has non-U.S. NOLs of $17.9 million primarily resulting from operations in Australia, Brazil, and the Netherlands. These losses may be carried forward indefinitely. A valuation allowance has been established in the amount of $5.8 million. These subsidiaries have a history of prior operating losses during a period of aggressive new market development. If the realization of these benefits becomes more likely than not in the future, the valuation allowance will be reduced or eliminated.

The Corporations effective tax rate was 37.1% in 1993, 39.8% in 1992, and 38.2% in 1991 (before the cumulative effect of the accounting change for postretirement benefits). See Note 6 for the reconciliation of the Corporations effective tax rate.

OTHER MATTERS - During 1993, the Corporation refocused its business on its key markets and services automotive and transportation service; diagnostics and shop equipment; industrial; and financial services. Following shareholder approval of a holding company business format at the 1993 annual meeting, operating units were created to address these markets Snap-on Tools, Snap-on Diagnostics, Snap-on Industrial, and Snap-on Financial Services. This organizational change is intended to make the Corporation more responsive to the different needs of the markets it serves, while improving its focus on asset utilization and value creation.

Assets relating to customer and dealer financing activities were transferred to Snap-on Financial Services, Inc., a new corporation, at mid-year. Subsequently, Snap-on Credit Corporation, a subsidiary company, was formed to manage certain credit services for the Corporation. Credit and leasing programs

support the sale of the Corporations products and services, especially higher-value products such as diagnostics and other shop equipment, when traditional lending sources are not readily available to customers.

In September, 1993, the Corporation acquired the assets of J.H. Williams Industrial Products, Inc., and formed a new company named J.H. Williams Company. Williams is a manufacturer of industrial-quality hand tools sold through industrial distributors and directly to the U.S. Government and original equipment manufacturers. The acquisition of Williams will enable the Corporation to enter the industrial distribution channel and pursue additional opportunities in markets not previously served. The Corporation intends to operate Williams as a separate company, with its own manufacturing facilities, sales force, and brand name.

Also during 1993, the Corporation continued to focus on its dealer program. Among the steps taken were a program to convert existing dealers to its franchise program, which the Corporation started in 1991 (resulting in approximately 2,600 U.S. dealers being franchised at year-end); the first elections for a National Dealer Advisory Council; and a new program allowing franchised dealers, under certain conditions, to operate a second van within their franchise, and to acquire additional franchises. The Corporation, through Snap-on Credit Corporation, also developed new, optional financing and vehicle programs for new dealers.

FINANCIAL CONDITION

OVERVIEW - The Corporation ended 1993 in strong financial condition. The Corporations balance sheet remained solid, with long-term debt amounting to a modest 14.2% of shareholders equity.

LIQUIDITY - The Corporations working capital increased by $31.0 million in 1993 and by $25.6 million in 1992. Its ratio of current assets to current liabilities stood at 2.8 at the end of 1993 compared with 2.6 at the end of 1992. Cash and short-term investments stood at $6.7 million, a decrease of $52.2 million from the previous year. The major reasons for the reduction in the net cash provided by operating activities was an increase in accounts receivable and inventories.

Accounts receivable increased by $31.9 million, to $539.9 million, primarily as a result of increased sales of higher-value equipment. A majority of the Corporations accounts receivable reflects the purchase of dealers customers extended credit purchase agreements. These installment contracts currently average approximately 18 months in duration. The remaining accounts receivable include those from dealers, industrial customers, and governments. Total write-offs for bad debts increased in 1993 to 2.6% of average accounts receivable from 1.9% of average accounts receivable in 1992. The increase reflected an interruption in collection efforts during the transition to eight regional customer service centers and a slight reduction in the number of dealers available to collect amounts owed. The Corporation believes that the creation of its new credit company and consolidation of billing and credit services in regional customer service centers will enhance its ability to manage credit risks and reduce the 1993 bad debt experience rate.

Inventories increased by $32.8 million in 1993. The increase primarily reflected expansion of inventories during the transfer from 48 branch warehouses for consolidation in

RESULTS OF OPERATIONS continued

four regional distribution centers. Inventory levels declined by $27.0 million in the fourth quarter following completion of the consolidation program. The Corporation expects a further reduction in inventory during 1994.

(Amounts in thousands)	1993	1992
CURRENT ASSETS	$854,598	$832,603
CURRENT LIABILITIES	(308,037)	(317,074)
WORKING CAPITAL	$546,561	$515,529
CURRENT RATIO	2.8 TO 1	2.6 TO 1

Short-term debt at the end of 1993 was $66.3 million, down slightly from $66.9 million at the end of 1992. Current maturities of long-term debt (classified in Other Accrued Liabilities) were $2.0 million at the end of 1993 and $.6 million at the end of 1992. In addition, at year-end 1993, the Corporation had $75.0 million of short-term commercial notes payable outstanding that was classified as long-term since it is the Corporations intent to refinance this debt on a long-term basis. The Corporation expects to retire the debt classified as short-term in 1994 through cash generated from operations.

At year-end 1993, the Corporation had bank credit lines totaling $96.1 million for short-term borrowing, including support of commercial paper issuance. These sources of borrowing, coupled with cash from operations, are sufficient to support working capital requirements, finance capital expenditures, and pay dividends. The Corporations high credit rating over the years has ensured that external funds are available at reasonable cost. At year-end 1993, the Corporations long-term debt ratings established by Moodys Investors Service and Standard and Poors were Aa3 and AA, respectively. The strength of the Corporations balance sheet, as evidenced below, provides ample opportunity to expand operations and make strategic acquisitions.

(Amounts in thousands)	1993	1992
LONG-TERM DEBT AS A % OF SHAREHOLDERS EQUITY	14.2%	14.0%
TOTAL DEBT AS A % OF TOTAL CAPITAL	19.3%	19.5%
TOTAL DEBT AS A % OF SHAREHOLDERS EQUITY	23.9%	24.2%

CAPITAL EXPENDITURES - Capital investments in 1993 included development and reconfiguration of regional customer service centers, enlargement of a distribution center in Robesonia, Pa., normal replacement and upgrading of manufacturing facilities and equipment, and the development by Systems Control, Inc., a subsidiary of Sun, of vehicle emissions test sites in the state of Washington as well as preliminary site work for similar test facilities for a contract awarded by the state of Maine. The Corporation anticipates capital expenditures totaling approximately $35 million in 1994.

(Amounts in thousands)	1993	1992
CAPITAL EXPENDITURES	$33,248	$21,081
DEPRECIATION AND AMORTIZATION	$32,131	$29,457

DIVIDENDS - The Corporation currently maintains a policy which calls for the payment of approximately 35% of net earnings in dividends. Although earnings results in recent years have resulted in a payout in excess of this percentage, the Corporation has maintained its current dividend rate. The Corporation anticipates returning to its historical payout ratio through continued earnings improvement, as evidenced by results for 1993, rather than through payout reduction. The Corporation has paid consecutive quarterly cash dividends since

1939.

(Amounts in thousands)	1993	1992
CASH DIVIDENDS PAID	$45,942	$45,718
CASH DIVIDENDS PER COMMON SHARE	$1.08	$1.08
CASH DIVIDENDS AS % OF NET INCOME	53.5%	69.3%

SNAP-ON TOOLS CORPORATION

CONSOLIDATED STATEMENT OF EARNINGS

(Amounts in thousands except share data) for fiscal years	1993	1992	1991
NET SALES	$1,132,010	$983,800	$881,591
COST OF GOODS SOLD	536,282	474,387	443,906
Gross profit	595,728	509,413	437,685
OPERATING EXPENSES			
Selling	327,451	298,380	252,476
Marketing and distribution	76,688	79,780	67,651
Research and engineering (Note 1i)	27,700	21,142	16,569
Administrative	78,071	58,082	34,012
Installment contract income, net of operating expenses	(61,115)	(63,646)	(56,890)
Total operating expenses	448,795	393,738	313,818
Earnings from operations	146,933	115,675	123,867
OTHER INCOME (EXPENSE)			
Interest expense	(11,198)	(5,969)	(5,250)
Other income (expense)-net	756	(131)	(91)
Total other income (expense)	(10,442)	(6,100)	(5,341)
Earnings before income taxes	136,491	109,575	118,526
INCOME TAXES (Note 1j and 6)	50,679	43,600	45,300
Net earnings before cumulative effect of accounting change	85,812	65,975	73,226
Cumulative effect of accounting change, net of $23.9 million of income taxes (Note 1c)	-	-	(38,949)
NET EARNINGS	$ 85,812	$65,975	$34,277
EARNINGS PER WEIGHTED AVERAGE COMMON SHARE:			
Before cumulative effect of accounting change	$2.02	$1.56	$1.75
Cumulative effect of accounting change, net of taxes (Note 1c)	-	-	(.93)
EARNINGS PER WEIGHTED AVERAGE COMMON SHARE	$2.02	$1.56	$.82
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING	42,570,783	42,343,781	41,821,768

The accompanying notes are an integral part of these statements.

CONSOLIDATED BALANCE SHEETS

(Amounts in thousands)	January 1, 1994	January 2, 1993
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents (Note 1d)	$ 6,729	$ 58,973
Accounts receivable, less allowance for doubtful accounts of $14.9 million in 1993 and $12.6 million in 1992 (Note 1e)	539,949	508,092
Inventories (Notes 1f and 3)	249,102	216,262
Prepaid expenses and other assets	58,818	49,276
Total current assets	854,598	832,603
PROPERTY AND EQUIPMENT, NET (NOTE 1G)	224,810	226,498
DEFERRED INCOME TAX BENEFITS (NOTES 1J AND 6)	53,819	49,192
INTANGIBLE AND OTHER ASSETS	85,706	64,120
TOTAL ASSETS	$1,218,933	$1,172,413
LIABILITIES AND SHAREHOLDERS EQUITY		
CURRENT LIABILITIES		
Accounts payable	$ 57,280	$ 45,009
Notes payable	66,288	66,903
Accrued compensation	33,515	40,061
Dealer deposits	62,153	62,756
Accrued income taxes	8,474	17,364
Other accrued liabilities	80,327	84,981
Total current liabilities	308,037	317,074
LONG-TERM DEBT (NOTE 5)	99,683	93,106
DEFERRED INCOME TAXES (NOTES 1J AND 6)	7,413	4,867
RETIREE HEALTH CARE BENEFITS (NOTE 9)	70,791	67,870
OTHER LONG-TERM LIABILITIES (NOTE 8)	31,346	24,831
TOTAL LIABILITIES	517,270	507,748
SHAREHOLDERS EQUITY (NOTES 10 AND 11)		
Preferred stock-authorized 15,000,000 shares of $1 par value; none outstanding	-	-
Common stock-authorized 125,000,000 shares of $1 par value; issued 42,818,696 and 42,414,962 shares	42,819	42,415
Additional contributed capital	52,153	40,312
Retained earnings	632,022	592,152
Foreign currency translation adjustment (Note 1k)	(16,019)	(10,214)
Less: Treasury stock at cost 250,000 shares	(9,312)	-
TOTAL SHAREHOLDERS' EQUITY	701,663	664,665
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$1,218,933	$1,172,413

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(Amounts in thousands) for fiscal years	1993	1992	1991
COMMON STOCK			
Amount at beginning of year	$42,415	$42,211	$41,277
Shares issued under stock purchase and option plans	389	186	230
Dividend reinvestment plan	15	18	15
Acquisition of Balco, Inc. (Note 2)	-	-	689
Amount at end of year	42,819	42,415	42,211
ADDITIONAL CONTRIBUTED CAPITAL			
Amount at beginning of year	40,312	35,576	9,333
Additions from stock purchase and option plans	10,477	4,178	4,872
Tax benefit from certain stock options and other items	804	-	440
Dividend reinvestment plan	560	558	457
Acquisition of Balco, Inc. (Note 2)	-	-	20,474
Amount at end of year	52,153	40,312	35,576
RETAINED EARNINGS			
Amount at beginning of year	592,152	571,895	582,704
Net earnings for the year	85,812	65,975	34,277
Dividends paid in cash $1.08 per common share in 1993, 1992 and 1991	(45,942)	(45,718)	(45,086)
Amount at end of year	632,022	592,152	571,895
FOREIGN CURRENCY TRANSLATION ADJUSTMENT			
Amount at beginning of year	(10,214)	3,037	3,089
Net currency translation adjustment for the year	(5,805)	(13,251)	(52)
Amount at end of year	(16,019)	(10,214)	3,037
TREASURY STOCK (250,000 SHARES) AT COST	(9,312)	-	-
TOTAL SHAREHOLDERS' EQUITY	$701,663	$664,665	$652,719

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in thousands) for fiscal years	1993	1992	1991
OPERATING ACTIVITIES			
Net earnings	$ 85,812	$65,975	$34,277
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Cumulative effect of accounting change (Note 1c)	-	-	38,949

Depreciation (Note 1g)	29,006	25,484	24,041
Amortization	3,125	3,973	1,578
Deferred income tax provision (Notes 1j and 6)	(7,993)	(6,005)	(7,134)
Gain on sale of assets	(569)	(250)	(737)
Changes in operating assets and liabilities net of effects of acquisitions:			
(Increase) decrease in accounts receivable	(36,869)	(5,458)	1,839
(Increase) decrease in inventories	(35,017)	5,928	27,312
Increase in prepaid expenses	(10,938)	(4,829)	(1,627)
Increase (decrease) in accounts payable	11,915	(8,202)	(5,700)
Increase (decrease) in accruals, deposits, and other long-term liabilities	(9,057)	23,330	19,185
Net cash provided by operating activities	29,415	99,946	131,983
INVESTING ACTIVITIES			
Capital expenditures	(33,248)	(21,081)	(23,447)
Acquisition of businesses	(14,657)	(110,719)	-
Disposal of property and equipment	11,261	3,379	5,796
(Increase) decrease in other noncurrent assets	(10,163)	(3,609)	1,474
Net cash used in investing activities	(46,807)	(132,030)	(16,177)
FINANCING ACTIVITIES			
Payment of long-term debt (Note 5)	(752)	(8,332)	(448)
Increase in long-term debt	9,428	78,650	-
Increase (decrease) in notes payable (Note 5)	354	52,503	(76,500)
Purchase of treasury stock	(9,312)	-	-
Proceeds from stock purchase and option plans (Note 10)	12,245	4,940	10,626
Cash dividends paid	(45,942)	(45,718)	(45,086)
Net cash provided by (used in) financing activities	(33,979)	82,043	(111,408)
Effect of exchange rate changes	(873)	(1,916)	(52)
Increase (decrease) in cash and cash equivalents	(52,244)	48,043	4,346
Cash and cash equivalents at beginning of year	58,973	10,930	6,584
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 6,729	$58,973	$10,930

The accompanying notes are an integral part of these statements.

Note 1 Summary of Accounting Policies

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

A. PRINCIPLES OF CONSOLIDATION: The Corporation consolidates the accounts of all its subsidiaries, all of which are wholly owned. Significant intercompany transactions are eliminated.

B. ACCOUNTING PERIOD: The Corporations accounting period ends on the Saturday nearest December 31. The 1993, 1992, and 1991 fiscal years ended on January 1, 1994, January 2, 1993, and December 28, 1991.

C. ADOPTION OF NEW ACCOUNTING PRINCIPLES: In 1991, the Corporation elected early adoption of the accounting provisions of the Statement of Financial Accounting Standards (SFAS) No. 106, "Employers' Accounting for Postretirement Benefits Other than Pensions." This standard, issued in 1990, requires that the expected cost of retiree health benefits be charged to expense during the years that the employees render service rather than the Corporations past practice of recognizing these costs on a cash basis. As part of adopting the standard, the Corporation recorded in the first quarter, 1991, a one-time, non-cash charge against earnings of $62.8 million before taxes and $38.9 million after taxes, or $.93 per share. This cumulative adjustment as of the beginning of 1991

represents the discounted present value of expected future retiree health benefits attributed to employees' service rendered prior to that date.

Effective the beginning of 1992, the Corporation elected early adoption of SFAS No. 109, "Accounting for Income Taxes." Under this statement, deferred income taxes are recorded on temporary differences at the tax rate expected to be in effect when the temporary differences reverse. The adoption of this statement did not have a material effect on the 1992 consolidated results of operations or financial condition of the Corporation.

D. 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.

E. ACCOUNTS RECEIVABLE: Accounts receivable includes installment receivable amounts which are due subsequent to one year from balance sheet dates. These amounts were approximately $27.9 million and $25.2 million at the end of 1993 and 1992.

Gross installment receivables amounted to $456.3 million and $463.2 million at the end of 1993 and 1992. Of these amounts, $89.4 million and $95.4 million, represented unearned finance charges at the end of 1993 and 1992.

F. INVENTORIES: Inventories are stated at the lower of cost or market. Cost elements include the cost of raw materials, direct labor, and overhead incurred in the manufacturing process. For detailed inventory information, refer to Note 3.

G. PROPERTY AND EQUIPMENT: Land, buildings, and machinery and equipment are carried at cost. Depreciation and amortization are provided for primarily using the straight-line depreciation method.

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

BUILDINGS AND IMPROVEMENTS	15 to 45 years
MACHINERY AND EQUIPMENT	3 to 15 years
TRANSPORTATION VEHICLES	2 to 5 years

The costs and related accumulated depreciation of the Corporations property and equipment values were as follows for fiscal years ended:

(Amounts in thousands)	1993	1992
LAND	$27,209	$25,647
BUILDINGS AND IMPROVEMENTS	142,438	139,573
MACHINERY AND EQUIPMENT	282,222	279,064
	451,869	444,284
LESS ACCUMULATED DEPRECIATION	(227,059)	(217,786)
PROPERTY AND EQUIPMENT - NET	$224,810	$226,498

H. INTANGIBLES: The excess of the purchase cost over the fair value of net

assets acquired in an acquisition (goodwill) is included in intangible and other assets in the accompanying consolidated balance sheets and is being amortized principally over 20 years on a straight-line basis. 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. Goodwill (net of accumulated amortization) was $48.1 million and $38.9 million at the end of 1993 and 1992. Amortization of goodwill amounted to $2.8 million, $2.4 million, and $.5 million for 1993, 1992, and 1991. Accumulated amortization of goodwill was $6.2 million, and $3.4 million at the end of fiscal years 1993 and 1992.

I. RESEARCH AND ENGINEERING: Research and engineering costs are charged to expense in the year incurred.

J. INCOME TAXES: Deferred income taxes are provided on temporary differences arising from differences in bases of assets and liabilities for tax and financial reporting purposes. For detailed tax information, refer to Note 6.

K. FOREIGN CURRENCY TRANSLATION: The financial statements of the corporations non-U.S. 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 non-U.S. subsidiaries whose "functional" currencies are other than the U.S. dollar are translated at current rates of exchange. 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. Transaction gains and losses are reported in net income and were not material in any year.

L. FRANCHISE FEE REVENUE: Franchise fee revenue is recognized as the fees are received. Revenue from franchise fees was not material in any year.

M. RECLASSIFIED PRIOR YEAR AMOUNTS: Certain prior year amounts have been reclassified to conform with current year presentation.

NOTE 2 ACQUISITIONS

On October 2, 1992, the Corporation acquired Sun Electric Corporation ("Sun"). Sun is primarily engaged in the design, manufacture, marketing and service of diagnostic, test, and service equipment, together with information and management systems, for the motor vehicle service industry and for motor vehicle manufacturers. The total purchase price of approximately $115 million was financed with available cash of approximately $40 million and the issuance of debt of approximately $75 million. The acquisition was accounted for as a purchase, and the results of Sun have been included in the accompanying consolidated financial statements since the date of acquisition. The cost of the acquisition has been allocated on the basis of the estimated fair market value of the assets acquired and the liabilities assumed. This allocation resulted in goodwill of approximately $30 million, which is being amortized over 20 years.

The unaudited consolidated results of operations on a pro forma basis as though Sun had been acquired as of the beginning of 1992 and 1991 are as follows:

(Amounts in thousands except per share data)	1992	1991

NET SALES	$1,140,591	$1,102,025
GROSS PROFIT	564,951	536,230
NET INCOME	52,480	65,375*
NET INCOME PER WEIGHTED AVERAGE COMMON SHARE	$ 1.24	$ 1.56*

<FN>
*NET INCOME AND NET INCOME PER WEIGHTED AVERAGE COMMON SHARE FOR 1991 EXCLUDE THE CUMULATIVE EFFECT OF AN ACCOUNTING CHANGE (NOTE 1C).

The pro forma financial information is presented for informational purposes only and is not necessarily indicative of the operating results that would have occurred had the Sun acquisition been consummated as of the above dates, nor are they necessarily indicative of future operating results.

On May 21, 1991, the Corporation completed the acquisition of Balco, Inc., increasing its ownership from approximately 34% to 100%. The acquisition was made through the issuance of 689,082 shares of common stock of the Corporation. The common stock exchanged was valued at approximately $21.2 million, the average market value at the time of the acquisition. Goodwill of approximately $14.6 million was recorded as a result of this acquisition. Pro forma results of operations are not shown as the effect would not be material.

On September 29, 1993, the Corporation acquired the assets of J.H. Williams Industrial Products, Inc. and formed a new company named J.H. Williams Company. The total cost of the acquisition was $14.7 million. The acquisition has been accounted for using the purchase method of accounting and the results of operations of J.H. Williams have been included in the accompanying consolidated financial statements since the date of acquisition. Goodwill of approximately $3.8 million has been recorded as a result of this acquisition. Pro forma results of operations are not shown as the effect would not be material.

NOTE 3 INVENTORIES

The components of the Corporations inventory were as follows for fiscal years ended:

(Amounts in thousands)	1993	1992
FINISHED STOCK	$185,260	$161,974
WORK IN PROCESS	19,293	12,983
RAW MATERIALS	44,549	41,305
TOTAL INVENTORY	$249,102	$216,262

Inventories accounted for using the last-in, first-out (LIFO) cost method approximated 58% of total inventory as of year-end, 1993 and 52% as of year-end, 1992. Inventories for Sun, which was acquired by the Corporation during 1992 (as described in Note 2), were $65.9 million as of year-end 1993 and $65.4 million as of year-end 1992, and are accounted for on the first-in, first-out (FIFO) cost method.

During 1992, the Corporation liquidated inventories that were carried at lower costs prevailing in prior years. The effect of this liquidation was to increase income before taxes by $6.1 million. Replacement costs of inventory, which approximate FIFO costs, were $362.9 million and $334.6 million for years ended 1993 and 1992.

NOTE 4 LITIGATION

The Corporation has been involved in a number of dealer claims in the ordinary course of its business for a number of years, with respect to both its United States and non-U.S. operations. Dealer claims in non-U.S. jurisdictions in the aggregate are not material. Dealer claims in the U.S., both filed and threatened, have increased in recent years and the discussion in this note is limited to U.S. claims. Also exclud-ed from this note are confidential matters pending in the Corporations internal grievance program, which are not significant. Since the Corporation maintains a worldwide network of approximately 5,000 dealers, some dealer disputes and resulting claims are to be expected.

At January 31, 1994, the Corporation was a party to a number of pending legal proceedings in which approximately 70 former dealers and, in some cases, their spouses and/or creditors, have asserted claims against the Corporation. These proceedings are now pending before courts and arbitration panels at various stages in a number of states, including some in appellate courts. In addition, at January 31, 1994, approximately 72 current or former dealers have threatened to assert claims against the Corporation. This compares with approximately 70 pending and approximately 88 threatened dealer claims at January 31, 1993. In most instances, these claims include allegations that the Corporation made misrepresentations, violated statutes or contract rights, and caused distress. The Corporation generally denies liability and intends to vigorously defend itself against these claims, but considers settlements where appropriate. The Corporation is also involved in litigation against certain of its insurance carriers as to coverage in connection with various dealer claims.

During 1993, 26 former dealers asserted claims and 139 dealers (almost all of whom are former dealers) threatened to assert claims against the Corporation. This compares with 50 asserted claims and approximately 51 threatened claims in 1992. Approximately 64% of the aggregate claims asserted during 1993 were by dealers who are parties to arbitration agreements with the Corporation, as compared with approximately 78% during 1992. The percentage of dealer claims asserted in 1993 that were subject to arbitration decreased from 1992 because a number of those dealers either started or terminated their dealerships before the Corporation began using arbitration clauses. In the Corporations experience, the expenditures in arbitration claims are less than those in court cases. Based on current information, the Corporation presently intends to assert as a defense to a substantial number of the claims made during 1993 that such claims are time-barred under applicable statutory or contractual limitation periods.

Since 1991, the Corporation has taken steps to resolve new and pending dealer claims and to enhance the dealer program and its relationships with dealers.

To resolve new and pending dealer claims, where appropriate, the Corporation: (1) has accelerated its review of both newly asserted and existing claims, and pursued resolution of those claims by settlement, judgment, or dismissal; and (2) developed alternative dispute resolution procedures to expeditiously resolve certain dealer claims more cost-effectively.

Steps taken to improve dealer relationships and the dealer program include:

(1) efforts to convert dealers to franchisees thereby providing them additional benefits; (2) establishing a Dealer Ombudsman Program to encourage prompt and cost-effective resolution of disputes internally with current and former dealers; (3) providing a transition program which began in 1993 for terminating dealers; (4) creating the National Dealer Advisory Council consisting of elected dealers who meet with company management to discuss issues of importance to dealers; and, (5) enhancing the dealer-training skills of field management.

Since 1991, through legal counsel, the services of a nationally recognized actuarial firm were engaged to assist in an evaluation of the reserves established for dealer claims. Based in part on the advice from such counsel and actuarial firm, the Corporation believes that it has established reasonable reserves and the Corporation does not expect the costs, losses, and

settlements of these claims to exceed probable insurance recoveries together with the reserves established.

During the three fiscal years 1993, 1992, and 1991, the Corporation charged earnings a total of approximately $17.8 million, $28.9 million, and $16.2 million, for settlement costs, including the establishment of related reserves, legal fees, and expenses with respect to dealer claims. Although it is not possible to predict the outcome of the existing dealer claims with any certainty, it is managements opinion, based in part on advice from its legal counsel and its actuarial consultant, that the costs, losses and settlement of these claims are not expected to have a material adverse effect on the Corporations financial condition and results of operations.

NOTE 5 SHORT-TERM AND LONG-TERM DEBT

At January 1, 1994, the Corporation had bank lines of credit totaling $96.1 million for short-term borrowing, including support for commercial paper issuance. Of this amount, $29.8 million was unused at year-end. Notes payable to banks totaled $1.0 million as of January 1, 1994, and $25.9 million as of January 2, 1993. Commercial notes payable totaled $140.3 million as of January 1, 1994, and $41.0 million as of January 2, 1993. Of the $140.3 million of commercial paper outstanding at year-end 1993, $75.0 million is classified as long-term debt since it is the Corporations intent (supported by a $75.0 million revolving credit facility) to refinance the debt on a long-term basis.

Maximum short-term borrowings outstanding at the end of any month in 1993 and 1992 were $69.3 million and $146.0 million. The average outstanding borrowings were $40.9 million in 1993 and $37.9 million in 1992. The weighted average daily interest rates for 1993 and 1992 were 5.1% and 5.7%. The weighted average interest rate on outstanding borrowings at January 1, 1994, was 3.4%.

Interest payments on debt and on other interest bearing obligations approximated $11.9 million, $5.5 million, and $4.6 million for 1993, 1992, and 1991.

The Corporations long-term debt consisted of the following for fiscal years ended:

(Amounts in thousands)	1993	1992

BORROWINGS UNDER OR SUPPORTED BY A REVOLVING CREDIT COMMITMENT	$75,000	$75,000
OTHER LONG-TERM DEBT	26,735	18,738
	101,735	93,738
LESS: CURRENT MATURITIES	(2,052)	(632)
TOTAL LONG-TERM DEBT	$99,683	$93,106

In December, 1992, the Corporation entered into a five-year, $75.0 million revolving credit commitment. Under the terms of the commitment, borrowings can be made at the then current London Interbank Offered Rate (LIBOR) plus .25% and may be fixed for periods ranging from one to nine months under reborrowing provisions of the commitment. This commitment automatically reduces by $25.0 million annually on December 15th of 1995, 1996, and 1997, at which time the commitment terminates. At January 1, 1994, the $75.0 million of commercial paper outstanding that was classified as long-term and supported by this commitment had an average interest rate of 3.3%.

Under the terms of the commitment, the Corporation must maintain a specific level of consolidated tangible net worth and meet certain leverage and interest coverage ratios. The commitment also restricts certain capital transactions. At year-end, 1993, the Corporation was in compliance with all covenants of the commitment.

In November, 1992, the Corporation entered into a five-year, interest rate swap agreement with a United States branch of a major non-U.S. bank covering the $75.0 million revolving credit commitment, which amortizes in approximately the same fashion as the $75.0 million revolving credit commitment, at an interest rate of 6.05%.

The Corporations annual maturities on its long-term debt due in the next five years are $2.1 million in 1994, $27.1 million in 1995, $27.1 million in 1996, $33.8 million in 1997, and $2.3 million in 1998.

NOTE 6 INCOME TAXES

Effective at the beginning of 1992, the Corporation elected early adoption of Statement of Financial Accounting Standards (SFAS) No. 109, "Accounting for Income Taxes."

The provision for income taxes consists of the following:

(Amounts in thousands)	1993	1992	1991
CURRENT:			
Federal	$33,452	$25,998	$33,635
Non-U.S.	17,741	14,473	10,206
State	7,479	9,134	8,593
TOTAL CURRENT	58,672	49,605	52,434
DEFERRED:			
Federal	(6,568)	(4,238)	(7,110)

Non-U.S.	(919)	(1,259)	739
State	(506)	(508)	(763)
TOTAL DEFERRED	(7,993)	(6,005)	(7,134)
TOTAL INCOME TAX PROVISION	$50,679	$43,600	$45,300

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The Corporation made income tax payments of $73.6 million, $49.8 million, and $50.6 million in 1993, 1992, and 1991.

A reconciliation of the Corporations effective income tax rate to the statutory federal tax rate follows for fiscal years:

	1993	1992	1991
STATUTORY FEDERAL INCOME TAX RATE	35.0%	34.0%	34.0%
INCREASE (DECREASE) IN TAX RATE RESULTING FROM:			
Foreign sales corporation tax benefit	(1.9)	(2.3)	(2.8)
Non-U.S. losses without tax benefits	0.9	2.1	2.6
State income taxes, net of federal benefit	3.2	4.8	4.2
Adjustment for rate change on deferred taxes	(1.6)		
Other	1.5	1.2	.2
EFFECTIVE TAX RATE	37.1%	39.8%	38.2%

Temporary differences which gave rise to the net deferred tax asset are as follows:

(Amounts in thousands)	1993	1992
CURRENT DEFERRED INCOME TAX BENEFITS:		
Costs absorbed into inventory	$9,946	$4,092
Accruals and reserves not currently deductible	21,846	22,021
Other	(201)	1,927
TOTAL CURRENT	31,591	28,040
LONG-TERM DEFERRED INCOME TAX BENEFITS:		

Employee benefits	41,922	38,205
Depreciation	(15,477)	(18,156)
Other	(150)	2,568
Net operating losses	29,650	33,505
Valuation Allowance	(9,539)	(11,797)
TOTAL LONG-TERM	46,406	44,325
NET DEFERRED INCOME TAX BENEFITS	$77,997	$72,365

The net deferred income tax benefit is classified in the consolidated balance sheets as follows:

(Amounts in thousands)	1993	1992
PREPAID EXPENSES AND OTHER ASSETS	$31,591	$28,040
DEFERRED INCOME TAX BENEFITS	53,819	49,192
DEFERRED INCOME TAXES	(7,413)	(4,867)
NET LONG-TERM DEFERRED INCOME TAX BENEFITS	46,406	44,325
NET DEFERRED INCOME TAX BENEFITS	$77,997	$72,365

The valuation allowance required under SFAS No. 109 has been established for deferred income tax benefits related to certain subsidiary loss carryforwards which may not be realized. Included in the valuation allowance is $4.5 million which relates to the deferred tax assets recorded in the acquisition of Sun. Any tax benefits subsequently recognized for these deferred tax assets will be allocated to reduce goodwill.

Deferred income taxes provided on timing differences prior to the adoption of SFAS No. 109 were:

(Amounts in thousands)	1991
INVENTORY	$(3,385)
DEPRECIATION	672
OTHER	(4,421)
TOTAL DEFERRED TAX PROVISION	$(7,134)

The Corporation has U.S. tax net operating loss carry-forwards (NOLs) acquired in the Sun acquisition totaling $68.0 million which expire as follows: 1998-$15.7 million; 2000-$11.3 million; 2001-$13.4 million; 2002-$1.3 million; 2004-$14.0 million; 2006-$11.9 million; and 2007-$0.4 million. The Corporation

also has non-U.S. tax NOLs of $17.9 million resulting from operations primarily in Australia, Brazil, and the Netherlands. These losses may be carried forward indefinitely.

The undistributed earnings of all subsidiaries were approximately $66.9 million, $64.1 million, and $74.9 million for fiscal years 1993, 1992, and 1991. The Corporation does not expect that additional income taxes will be incurred on future distributions of such earnings and, accordingly, no deferred income taxes have been provided for the distribution of these earnings to the parent company.

NOTE 7 FORWARD EXCHANGE CONTRACTS

In order to limit exposure from foreign currency fluctuations on intercompany accounts denominated in foreign currencies, the Corporation entered into forward exchange contract transactions beginning in 1993. Gains and losses on these contracts are recognized currently and were not material. These forward exchange contract transactions generally mature monthly at which time they are replaced with new contracts. At January 1, 1994, the Corporation had forward exchange contracts to exchange pounds sterling, Netherlands guilders and German marks for U.S. dollars aggregating the U.S. dollar equivalent of approximately $18 million. These forward exchange contract transactions matured in January, 1994.

NOTE 8 PENSION PLANS

The Corporation, including its subsidiaries, has several noncontributory pension plans covering substantially all its employees, including certain employees in non-U.S. countries. Retirement benefits are 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 Statement of Financial Accounting Standards (SFAS) No. 87, "Employers' Accounting for Pensions," and contributes amounts to the plans using the actuarially computed entry age normal cost method, which includes, as to certain defined retirement benefit plans, amortization of past service costs over 30 years.

The Corporation has several non-U.S. subsidiary pension plans which do not report pension expense in accordance with SFAS No. 87, as these plans and the related pension expense are not material.

The Corporations net pension expense included the following components:

(Amounts in thousands)	1993	1992	1991
SERVICE COST-BENEFITS EARNED DURING YEAR	$9,331	$ 8,516	$8,340
INTEREST COST ON PROJECTED BENEFITS	20,012	17,339	16,237
LESS ACTUAL RETURN ON PLAN ASSETS	(31,069)	(19,790)	(49,909)

NET AMORTIZATION AND DEFERRAL:			
Actual return on assets in excess of projected return	9,950	1,160	34,076
Amortization of net assets at transition	(1,092)	(1,102)	(1,110)
OTHER	458	9	1,102
NET PENSION EXPENSE	$7,590	$6,132	$8,736

The funded status of the Corporations U.S. pension plans was as follows:

(Amounts in thousands)	1993 Assets Exceed Accumulated Benefits	1993 Accumulated Benefits Exceed Assets	1992 Assets Exceed Accumulated Benefits	1992 Accumulated Benefits Exceed Assets
ACTUARIAL PRESENT VALUE OF ACCUMULATED BENEFITS:				
Vested benefits	$149,232	$57,775	$130,292	$19,122
Non-vested benefits	26,244	7,014	23,675	2,358
ACCUMULATED BENEFIT OBLIGATION	175,476	64,789	153,967	21,480
EFFECT OF PROJECTED FUTURE SALARY INCREASES	45,430	4,516	38,322	4,067
PROJECTED BENEFIT OBLIGATION	220,906	69,305	192,289	25,547
PLAN ASSETS AT MARKET VALUE	227,892	55,888	247,205	15,393
PLAN ASSETS IN EXCESS OF (LESS THAN) PROJECTED BENEFIT OBLIGATION	6,986	(13,417)	54,91	(10,154)
UNRECOGNIZED NET ASSETS AT YEAR-END	(7,960)	(836)	(11,377)	565
UNRECOGNIZED NET (GAIN) OR LOSS FROM EXPERIENCE DIFFERENT THAN ASSUMED	(31,232)	2,887	(73,376)	1,282
UNRECOGNIZED PRIOR SERVICE COST	6,175	4,101	9,639	474
ADDITIONAL MINIMUM LIABILITY	0	(3,176)	0	(859)
PENSION LIABILITY	$(26,031)	$(10,441)	$(20,198)	$(8,692)

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The actuarial present value of the projected benefit obligation was determined using a discount rate of 7.25% for 1993 and 9.0% for 1992 and 1991. The projected future salary increase assumption was 5.0% for 1993 and 6.0% for both 1992 and 1991. The expected long-term rate of return on plan assets was 9.0% for the three years reported. The net effect of the two changes in actuarial assumptions in 1993 on the Corporations results of operations and financial condition was not material.

Plan assets are stated at market value and comprise primarily corporate equities and U.S. government debt securities.

The pension liability for 1993 comprises a current liability of $5.9 million and a long-term liability of $30.6 million. The long-term liability represents pension obligations which are not expected to be funded during the next 12 months.

NOTE 9 RETIREE HEALTH CARE

The Corporation provides certain health care benefits for most of its retired U.S. employees. The majority of the Corporations U.S. employees become eligible for those benefits if they reach normal 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, the plans pay stated percentages of covered expenses after a deductible is met. There are several plan designs, with more recent retirees (since 1989) 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, there are contributions required under certain circumstances, and these plans contain provisions allowing for benefit and coverage changes. The plans include provisions for retirees to contribute amounts estimated to exceed a capped per retiree annual cost commitment by the Corporation. The Corporation does not fund the retiree health care plans.

The Corporation recognizes postretirement health care expense in accordance with Statement of Financial Accounting Standards (SFAS) No. 106, "Employers' Accounting for Postretirement Employment Benefits Other than Pensions." The Corporation adopted SFAS No. 106 effective the beginning of fiscal year 1991, as discussed in Note 1c.

The components of the expense for postretirement health care benefits are as follows:

(Amounts in thousands)	1993	1992	1991
NET PERIODIC COSTS			
SERVICE COST - BENEFITS ATTRIBUTED TO SERVICE DURING THE PERIOD	$1,613	$1,570	$1,185
INTEREST COST ON ACCUMULATED POSTRETIREMENT BENEFIT OBLIGATION	4,888	5,882	5,761
AMORTIZATION OF UNRECOGNIZED NET GAIN	(331)		
NET POSTRETIREMENT HEALTH CARE COST	$6,170	$7,452	$6,946

The weighted average discount rate used to measure interest cost on the accumulated postretirement benefit obligation was 8.5% for 1993 and 9% for 1992 and 1991.

The components of the accumulated postretirement benefit obligation are as follows:

(Amounts in thousands)	1993	1992
ACCUMULATED POSTRETIREMENT BENEFIT OBLIGATION		
RETIREES	$37,375	$41,266
FULLY ELIGIBLE ACTIVE PLAN PARTICIPANTS	9,746	14,646
OTHER ACTIVE PLAN PARTICIPANTS	23,890	15,552
ACCUMULATED POSTRETIREMENT BENEFIT OBLIGATION	71,011	71,464
UNRECOGNIZED NET (LOSS) GAIN	3,280	(94)
ACCRUED POSTRETIREMENT BENEFIT COST	$74,291	$71,370

The accumulated postretirement benefit obligation at the end of 1993 comprises a current liability of $3.5 million and a long-term liability of $70.8 million. The weighted average discount rates used in determining the accumulated postretirement benefit obligation as of fiscal year-end 1993 and 1992 were 7.25% and 9.0%.

The actuarial calculation assumes a health care trend rate of 11.3% in 1994 for pre-age 65 benefits, decreasing gradually to 5.0% in the year 2003 and thereafter, and a rate of 10.4% in 1994 for post-age 65 benefits, decreasing to 5.0% in the year 2007 and thereafter.

The health care cost trend rate has a significant effect on the amounts reported for those plans which do not include a capped per retiree annual cost commitment by the Corporation. For example, a one percentage point increase in the health care cost trend rate for future years would increase the accumulated postretirement benefit obligation by $1.8 million and increase net periodic cost by $.1 million.

NOTE 10 COMPANY STOCK PURCHASE AND OPTION PLANS

The Corporation has a stock option plan for directors, officers, and key employees with expiration dates on the options ranging from 1996 to 2003.

	Number of Shares	Price Range
OPTIONS OUTSTANDING AT DECEMBER 29, 1990	2,095,630	$20.56 - 38.13
Granted	47,720	30.38 - 34.00
Exercised	(194,603)	20.56 - 29.88
Surrendered	(58,715)	29.88 - 35.50
OPTIONS OUTSTANDING AT DECEMBER 28, 1991	1,890,032	20.56 - 38.13
Granted	150,025	33.75 - 34.75
Exercised	(151,116)	20.56 - 35.50
Surrendered	(54,934)	20.56 - 38.13
OPTIONS OUTSTANDING AT JANUARY 2, 1993	1,834,007	20.56 - 38.13
Granted	532,619	31.75 - 35.00
Exercised	(361,057)	20.56 - 35.50

Surrendered	(106,905)	20.56 - 35.50
OPTIONS OUTSTANDING AT JANUARY 1, 1994	1,898,664	$20.56 - 38.13
SHARES EXERCISABLE AT JANUARY 1, 1994	1,625,003	
SHARES RESERVED FOR FUTURE GRANTS	1,596,091	

The Corporations common stock outstanding increased from the issuance of shares under the stock option plan by 338,819, 119,119, and 165,701 for 1993, 1992, and 1991. Common stock surrendered in exchange for shares issued under the stock option plan totaled 22,238, 31,997, and 28,902 for 1993, 1992, and 1991.

On June 22, 1990, the Board of Directors approved the Dividend Reinvestment and Stock Purchase Plan and reserved 1 million shares of common stock for issuance under this plan. Under this plan, shareholders who elect to participate can invest all or a portion of their cash dividends and additional optional cash payments in shares of common stock of the Corporation based upon the market price of the stock on the dividend payment date or investment date in the case of additional optional cash payments. Common shares issued under this plan totaled 15,485, 17,587, and 15,436 for 1993, 1992, and 1991.

Employees of the Corporation are entitled to participate in an employee stock purchase plan up to a maximum of 100 shares each year. The purchase price of the common stock is the lesser of the closing market quotation on the May 15 beginning, or the May 14 ending date, of each plan year. The Board of Directors may terminate this plan at any time. For 1993, 1992, and 1991, shares issued under the employee stock purchase plan totaled 44,563, 66,554, and 63,856. At January 1, 1994, shares totaling 137,487 were reserved for issuance to employees under this plan, and the Corporation held contributions of approximately $1.0 million for the purchase of common stock which had a closing market quotation of $36.63 per share on May 14, 1993.

On October 26, 1990, the Board of Directors approved a Dealer Stock Purchase Plan for franchised dealers and reserved 200,000 shares of common stock for issuance under this plan. The date of the first offering under this plan was May 15, 1991, with an additional and separate offering on May 15 in each following year until the plan is terminated by the Board of Directors or all shares reserved under the plan have been purchased. The purchase price of the common stock is the lesser of the closing market price of the stock on the offering date of a plan year or the succeeding offering date. Shares issued under the Dealer Stock Purchase Plan totaled 4,683 and 348 in 1993 and 1992, leaving 194,969 shares reserved for issuance under this plan as of January 1, 1994.

On April 23, 1993, the shareholders approved the Directors 1993 Fee Plan. Under this plan, non-employee Directors receive a mandatory minimum of 25% and an elective maximum of up to 100% of their fees and retainer in shares of the Corporations stock. Directors may elect to defer receipt of all or part of these shares. During 1993, 184 shares of common stock were issued under this plan, leaving 199,816 reserved for issuance as of January 1, 1994.

NOTE 11 CAPITAL STOCK

The Board of Directors declared on October 23, 1987, and amended on May 22, 1992, and January 28, 1994, a dividend distribution of one preferred stock purchase right for each share of the Corporations outstanding common stock. The rights are exercisable only if a person or group acquires or publicly announces a tender offer for 15% or more of the Corporations common stock ("Acquiring Person"). Each right may then be exercised to purchase one one-hundredth of a share of Series A Junior Preferred Stock for $125. Investors who acquire more than 15% and less than 25% of the Corporations stock without the intent or

purpose to change or influence the control of the Corporation are exempt from the definition of Acquiring Person. If the Corporation is acquired in a merger or other business combination not approved by the Board of Directors, each holder of a right, other than those held by the acquiring person or group, will be entitled to purchase one share of common stock of the

surviving company having a market value equivalent to two times the current purchase price, thereby causing ownership dilution to a person or group attempting to acquire the Corporation without approval of the Corporations Board of Directors. The rights expire on November 3, 1997, and may be redeemed by the Corporation at a price of $.05 per right at any time prior to 10 days after a person or group acquires 15% or more of the Corporations common stock. The rights of redemption may be reinstated in connection with the consummation of a merger or other business combination which has been approved by 67% of the outstanding shares not held by 15% shareholders and their affiliates.

NOTE 12 COMMITMENTS

The Corporation has entered into certain lease agreements on facilities and computer equipment, which extend for varying amounts of time.

The Corporations lease commitments require future payments as follows:

Year Ending	(Amounts in thousands)
1994	$9,750
1995	8,373
1996	4,462
1997	3,345
1998	2,730
1999-2016	8,379

Rent expenses for worldwide facilities and computer equipment were $10.1 million in 1993, $8.5 million in 1992, and $5.6 million in 1991.

As a result of the Sun acquisition, the Corporation assumed certain third-party leasing obligations. Prior to the 1990 expiration of an operating agreement between Sun and a third-party leasing corporation, certain lease sales were placed with a third party with recourse. This leasing corporation provided customer financing on sales of Sun products in the United States. Under terms of an associated remarketing agreement with the third party, Sun continues to be required to repurchase, under certain conditions, equipment on defaulted leases at predetermined prices. Suns maximum contingent liability under the remarketing agreement (assuming 100% default by customers on all existing leases) was $13.3 million as of January 1, 1994. It is expected that any losses actually incurred due to default would be partially offset by the repossession and resale of the leased equipment.

NOTE 13 FAIR VALUE OF FINANCIAL INSTRUMENTS

In December of 1991, Statement of Financial Accounting Standards (SFAS) No.

107, "Disclosure about Fair Value of Financial Instruments," was issued. This standard requires that the Corporation 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 techniques used for this valuation are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. The calculated fair value estimates, therefore, cannot be substantiated by comparison to independent markets.

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

INSTALLMENT CONTRACTS: A discounted cash flow analysis was made over the average life of a contract using a discount rate currently available to the Corporation adjusted for credit quality, cost, and profit factors. This resulted in a fair value of approximately $425 million versus a carrying amount of $367 million.

INTEREST RATE SWAP AGREEMENT: The fair value of the agreement was based on a quote from the financial institution with which it is made. As of January 1, 1994, the cost to the Corporation to terminate this agreement was $3.5 million.

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 14 REPORTING SEGMENTS

The Corporation operates predominantly in a single industry as a manufacturer and distributor of tools and other products for the professional technician. Operations are conducted in the United States and through non-U.S. subsidiaries located in Canada, the United Kingdom, Mexico, Germany, Australia, Japan, the Netherlands, and Brazil. Transfers between geographic areas primarily represent inter-company export sales of U.S.-produced goods and are accounted for based on established sales prices between the related companies. In computing earnings from operations for non-U.S. subsidiaries, no allocations of general corporate expenses, interest, or income taxes have been made.

Identifiable assets of European and other non-U.S. subsidiaries are those assets related to the operations of those subsidiaries. United States assets consist of all other operating assets of the Corporation. European operations became significant in 1992, reflecting the inclusion of Sun Electric Corporation acquired on October 2, 1992. Prior to the acquisition, European operations were not significant, and, therefore, 1991 segment data for Europe is not shown separately.

(Amounts in thousands)	United States	Europe	Other Non-U.S. Subsidiaries	Eliminations	Consolidated
1993					
SALES TO UNAFFILIATED CUSTOMERS	$ 807,469	$198,941	$125,600	-	$1,132,010
TRANSFERS BETWEEN GEOGRAPHIC AREAS	105,846	2,595	10,486	(118,927)	-
TOTAL REVENUE	913,315	201,536	136,086	(118,927)	1,132,010

EARNINGS FROM OPERATIONS	112,323	22,023	14,560	(1,974)	146,932
IDENTIFIABLE ASSETS	$1,007,269	$140,735	$ 96,655	$(25,726)	$1,218,933
1992					
SALES TO UNAFFILIATED CUSTOMERS	$ 770,766	$111,598	$101,436	-	$ 983,800
TRANSFERS BETWEEN GEOGRAPHIC AREAS	73,062	2,185	7,324	(82,571)	-
TOTAL REVENUE	843,828	113,783	108,760	(82,571)	983,800
EARNINGS FROM OPERATIONS	105,874	2,157	8,133	(489)	115,675
IDENTIFIABLE ASSETS	$ 978,902	$120,295	$ 98,737	$(25,521)	$1,172,413
1991					
SALES TO UNAFFILIATED CUSTOMERS	$ 727,875	-	$153,716	-	$ 881,591
TRANSFERS BETWEEN GEOGRAPHIC AREAS	65,206	-	7,365	(72,571)	
TOTAL REVENUE	793,081	-	161,081	(72,571)	881,591
EARNINGS FROM OPERATIONS	119,707	-	6,238	(2,078)	123,867
IDENTIFIABLE ASSETS	$ 791,662	-	$148,142	$(24,430)	$ 915,374

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors and
Shareholders of Snap-on Tools Corporation:

We have audited the accompanying consolidated balance sheets of Snap-on Tools Corporation (a Delaware Corporation) as of January 1, 1994, and January 2, 1993, and the related consolidated statements of earnings, shareholders' equity, and cash flows for each of the three years in the period ended January 1, 1994. 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 generally accepted auditing standards. 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 Tools Corporation as of January 1, 1994, and January 2, 1993, and the consolidated results of its operations and cash flows for each of the three years in the period ended January 1, 1994, in conformity with generally accepted accounting principles.

As discussed in Note 1c to the consolidated financial statements, effective the beginning of 1991, the Corporation changed its method of accounting for postretirement health benefits other than pensions.

/s/ Arthur Andersen & Co.
ARTHUR ANDERSON & CO.

Milwaukee, Wisconsin

SNAP-ON TOOLS CORPORATION

QUARTERLY FINANCIAL
INFORMATION (Unaudited)

(Amounts in thousands except per share data)	1993	1992	1991
NET SALES			
1st Quarter	$ 270,674	$226,253	$222,991
2nd Quarter	272,718	232,907	225,304
3rd Quarter	271,096	225,554	215,464
4th Quarter	317,522	299,086	217,832
	$1,132,010	$983,800	$881,591
GROSS PROFIT			
1st Quarter	$ 138,938	$114,262	$107,890**
2nd Quarter	146,839	117,842	109,437
3rd Quarter	140,759	114,544	107,365
4th Quarter	169,192	162,765	112,993
	$ 595,728	$509,413	$437,685
NET EARNINGS			
1st Quarter	$ 18,504	$ 18,475	$(22,134)**
2nd Quarter	22,362	19,589	19,144
3rd Quarter	20,536	15,155	18,495
4th Quarter	24,410	12,756*	18,772
	$ 85,812	$ 65,975	$ 34,277
EARNINGS PER COMMON SHARE			
1st Quarter	$ .44	$ .44	$ (.52)**
2nd Quarter	.52	.46	.46
3rd Quarter	.48	.36	.44
4th Quarter	.58	.30*	.44
Net Earnings	$ 2.02	$ 1.56	$ .82

<FN>

* Increased dealer litigation expenses during the fourth quarter, 1992 compared with the fourth quarter, 1991 reduced net earnings by $7.4 million or $.17 per share.

** First quarter, 1991 information reflects the adoption of Statement of Financial Accounting Standards (SFAS) No. 106, "Employers' Accounting for Postretirement Benefits Other than Pensions." At the beginning of the 1991 fiscal year, the cumulative effect of this accounting change after taxes was an additional expense of $38.9 million. See Note 1c for additional information on this accounting change.

ELEVEN YEAR-SELECTED FINANCIAL DATA

(Amounts in thousands except share data)	1993
SUMMARY OF OPERATIONS	
Net sales	$1,132,010
Gross profit	595,728
Operating expenses	448,795
Interest expense	11,198
Other income (expense)-net	756
Pre-tax earnings	136,491
Income taxes	50,679
Net earnings	85,812
Net earnings before cumulative effect of accounting change (Note 1c)	N/A
FINANCIAL POSITION	
Current assets	$854,598
Current liabilities	308,037
Working capital	546,561
Accounts receivable	539,949
Inventories	249,102
Property and equipment-net	224,810
Total assets	1,218,933
Long-term debt	99,683
Shareholders' equity	701,663
COMMON SHARE SUMMARY*	
Shareholders' equity per share	$16.48
Net earnings per share	2.02
Net earnings per share before cumulative effect of accounting change (Note 1c)	N/A
Cash dividends paid per share	1.08
Average shares outstanding	42,570,783
OTHER FINANCIAL STATISTICS	
Cash dividends paid	$45,942
% dividends paid to net earnings	53.5%
Capital expenditures	33,248
Depreciation and amortization	32,131
Current ratio	2.8
% of long-term debt to shareholders' equity	14.2%
Effective tax rate	37.1%
Pre-tax earnings as a % of net sales	12.1%
Net earnings as a % of net sales	7.6%
After-tax return on average shareholders' equity	12.6%
Common stock price range*	44 1/2-30 1/2

<FN>

*Adjusted for two-for-one stock split in 1986.

**Based on net earnings before cumulative effect of accounting change (Note 1c).

(Amounts in thousands except share data)	1992	1991	1990	1989
SUMMARY OF OPERATIONS				
Net sales	$983,800	$881,591	$931,533	$890,792
Gross profit	509,413	437,685	469,149	439,861
Operating expenses	393,738	313,818	306,084	272,976
Interest expense	5,969	5,250	6,762	3,298
Other income (expense)-net	(131)	(91)	3,557	1,923
Pre-tax earnings	109,575	118,526	159,860	165,510
Income taxes	43,600	45,300	59,100	60,800
Net earnings	65,975	34,277	100,760	104,710
Net earnings before cumulative effect of accounting change (Note 1c)	N/A	73,226	N/A	N/A
FINANCIAL POSITION				
Current assets	$832,603	$666,623	$675,038	$564,623
Current liabilities	317,074	176,650	236,802	179,476
Working capital	515,529	489,973	438,236	385,147
Accounts receivable	508,092	461,596	459,381	403,926
Inventories	216,262	160,148	182,065	137,106
Property and equipment-net	226,498	206,481	210,414	195,020
Total assets	1,172,413	915,374	907,854	777,603
Long-term debt	93,106	7,179	7,275	7,700
Shareholders' equity	664,665	652,719	636,403	572,657
COMMON SHARE SUMMARY*				
Shareholders' equity per share	$15.67	$15.46	$15.42	$13.93
Net earnings per share	1.56	.82	2.45	2.55
Net earnings per share before cumulative effect of accounting change (Note 1c)	N/A	1.75	N/A	N/A
Cash dividends paid per share	1.08	1.08	1.08	1.04
Average shares outstanding	42,343,781	41,821,768	41,207,563	41,038,978
OTHER FINANCIAL STATISTICS				
Cash dividends paid	$45,718	$45,086	$44,505	$42,655
% dividends paid to net earnings	69.3%	61.6%**	44.2%	40.7%
Capital expenditures	21,081	23,447	44,353	72,136
Depreciation and amortization	29,457	25,619	25,914	21,865
Current ratio	2.6	3.8	2.9	3.1
% of long-term debt to shareholders' equity	14.0%	1.1%	1.1%	1.3%
Effective tax rate	39.8%	38.2%	37.0%	36.7%
Pre-tax earnings as a % of net sales	11.1%	13.4%	17.2%	18.6%
Net earnings as a % of net sales	6.7%	8.3%**	10.8%	11.8%
After-tax return on average shareholders' equity	10.0%	11.4%**	16.7%	19.4%
Common stock price range*	40-27	34 1/2-27 3/8	38-26 1/4	41 7/8-28 7/8

INVESTOR INFORMATION

COMMON STOCK PRICES

Quarter	1993	1992
First	$34 3/4-30 1/2	$40 -32 1/4
Second	39 1/4-33 1/4	38 3/4-29 1/8
Third	44 1/2-38	33 1/4-30 1/2
Fourth	40 1/2-36 3/8	32 5/8-27

DIVIDENDS PER COMMON SHARE

Quarter	1993	1992
First	$ .27	$ .27
Second	.27	.27
Third	.27	.27
Fourth	.27	.27
	$1.08	$1.08

INVESTOR INFORMATION
Snap-on Tools Corporation common stock is traded on the New York Stock Exchange, Ticker Symbol - SNA.

TRANSFER AGENT AND REGISTRAR
Harris Trust and Savings Bank
311 West Monroe Street
Eleventh Floor
Chicago, Illinois 60690

SHAREHOLDER INQUIRIES
Shareholders with questions may call the Transfer Agent, Harris Bank, toll-free at 1-800-524-0687.

DIVIDEND RECORD AND PAY DATES FOR 1994

Quarter	Record Date	Pay Date
First	Feb. 18	Mar. 10
Second	May 20	June 10
Third	Aug. 19	Sept. 9
Fourth	Nov. 18	Dec. 9

SHAREHOLDERS
The number of shareholder accounts of record as of December 31, 1993, was 9,047.

DIVIDEND REINVESTMENT

Snap-on shareholders may increase their investment in the Corporation through a no-commission dividend reinvestment plan. For information, write to:

Harris Trust and Savings Bank
Dividend Reinvestment Plan Services
P.O. Box A3309
Chicago, Illinois 60690-0735
Or phone: 1-800-524-0687

FINANCIAL INFORMATION
Refer specific financial questions to Denis J. Loverine, Treasurer, (414)656-5421.

FORM 10K AND OTHER FINANCIAL PUBLICATIONS
Available without charge from the Public Relations Department, General Offices, (414)656-4808 (recorded message).

ANNUAL MEETING
The Annual Meeting of Shareholders will be held at the Racine Marriott, 7111 Washington Avenue, Racine, Wisconsin, at 10:00 a.m., April 22, 1994.

GENERAL OFFICES
2801-80th Street
Kenosha, Wisconsin 53141-1410
Phone (414)656-5200

SUBSIDIARIES
Snap-on Tools of Canada Ltd
Snap-on Tools Limited
Snap-on Tools International, Ltd.
Herramientas Snap-on de Mexico, S.A.
Snap-on Tools GmbH
Snap-on Tools (Australia) Pty. Ltd.
Snap-on Financial Services, Inc.
Snap-on Tools Japan, K.K.

Snap-on Tools Worldwide, Inc.
A.T.I. Tools, Inc.
Balco, Inc.
Sun Electric Corporation
J.H. Williams Company

SNAP-ON-R- IS A REGISTERED TRADEMARK OF SNAP-ON TOOLS CORPORATION
SUN-R- IS A REGISTERED TRADEMARK OF SUN ELECTRIC CORPORATION
WILLIAMS-R- IS A REGISTERED TRADEMARK OF J.H. WILLIAMS COMPANY

Exhibit (22)

SUBSIDIARIES OF THE CORPORATION

Name	State or other jurisdiction of organization
Snap-on Tools of Canada Ltd	Canada
Snap-on Tools Limited	United Kingdom
Snap-on Tools International, Ltd. (F.S.C.)	U.S. Virgin Islands
Herramientas Snap-on de Mexico, S.A.	Mexico
Snap-on Tools GmbH	Germany
Snap-on Tools (Australia) Pty. Ltd.	Australia
Snap-on Tools Netherlands B.V.	Netherlands
Snap-on Tools Japan, K.K.	Japan
Snap-on Tools Worldwide, Inc.	Michigan
ATI Tools, Inc.	Delaware
Balco, Inc.	California
J. H. Williams Company	Delaware
Sun Electric Corporation	Delaware
(Has 7 U.S. subsidiaries and 16 non-U.S. subsidiaries)	