Securities & 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 2, 1999

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

Commission File Number 1-7724

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

Delaware	39-0622040
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

10801 Corporate Drive, Pleasant Prairie, Wisconsin	53158-1603
(Address of principal executive offices)	(Zip code)

Registrant's telephone number, including area code: (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. [X]

Aggregate market value of voting stock held by non-affiliates of the registrant at February 23, 1999:
$1,909,184,462

Number of shares outstanding of each of the registrant's classes of common stock at February 23, 1999:
Common stock, $1 par value, 65,591,328 shares

Documents incorporated by reference
Portions of the Corporation's Annual Report to Shareholders for the fiscal year ended January 2, 1999, are incorporated by reference into Parts I, II and IV of this report.

Portions of the Corporation's Proxy Statement, dated March 12, 1999, prepared for the Annual Meeting of Shareholders scheduled for April 23, 1999, are incorporated by reference into Part III of this report.

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PART I

Item I: Business

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

The Corporation's business segments are based on the organization structure that is used by management for making operating and investment decisions and for assessing performance. Based on this management approach, the Corporation has five reportable segments: North America Transportation, North America Other, Europe, International and Financial Services. The North America Transportation segment consists of the Corporation's business operations serving the franchised dealer channel in the United States and Canada. The North America Other segment consists of the Corporation's business operations serving the direct sales and distributor channels in the United States and Canada, as well as the Corporation's exports from the United States. The Europe segment consists of the Corporation's operations in Europe and Africa. The International segment consists of the Corporation's operations in the Asia/Pacific region and Latin America. These four segments derive revenues primarily from the sale of tools and equipment and related services. The Financial Services segment provides financing to technicians and shop owners, as well as to dealers. Additional information about the Corporation's business segments, customers, domestic and international operations and products and services is provided in Note 13 on pages 37 and 38 of the Corporation's 1998 Annual Report, incorporated herein by reference.

In 1998, the Corporation announced a simplification initiative ("Project Simplify") which is a broad program of internal rationalizations, consolidations and reorganizations. The goal is to make the Corporation's business operations simpler and more effective. Additional information regarding Project Simplify can be found on page 17, Management's Discussion and Analysis, and in Note 14 on pages 38 and 39, of the Corporation's 1998 Annual Report, incorporated herein by reference.

During 1998, the Corporation acquired full or partial ownership of five new business operations and an additional interest in a business for an aggregate cash purchase price of $79.5 million. Each of the acquisitions provides the Corporation with a complementary product line, new customer relationships, access to additional distribution and/or extended geographic reach. These acquisitions were 100% interests in White Industries ("White"), Hein-Werner Corporation ("Hein-Werner"), Nationwide International L.L.C. ("Nationwide"), and G.S. S.r.l. ("G.S."); a 55% interest in Cartec GmbH ("Cartec"); and an additional 10% interest in the Thompson Corporation's Mitchell Repair Information business. Subsequent to the end of the year, the Corporation announced that it had exercised its call option to purchase from its venture partner, The Thompson Corporation, a further stake in their Mitchell Repair Information business, which will result in Snap-on's owning 99% of Mitchell Repair Information Company ("MRIC").

White manufactures equipment used to recover, recycle and recharge refrigerant in vehicle air-conditioning systems. Hein-Werner is a leading manufacturer of collision repair products in North America and Europe. Nationwide is a franchisor of vehicle and service repair facilities. G.S. is an Italy-based manufacturer and distributor of wheel service equipment. Cartec is a German manufacturer of test and safety lane equipment. MRIC is a major provider of print and electronic versions of vehicle mechanical and electrical repair information and of shop management software to repair and service establishments throughout North America.

Products and Services

The Corporation derives income from the manufacture, marketing and distribution of its products and related services, and the financing of certain of its products. The Corporation's four reportable manufacturing, marketing and distribution

segments offer a broad line of products and complementary services which can be divided into two groups: tools and equipment. The following table shows the approximate percentage of consolidated sales for each of these product groups in each of the past three years.

Product Group	% of Sales		
	1998	1997	1996
Tools	52%	55%	58%
Equipment	48%	45%	42%
	100%	100%	100%

The tools product group includes hand tools, power tools and tool storage products. Hand tools include wrenches, screwdrivers, sockets, pliers, ratchets and other similar products, and instruments developed for medical applications and for the manufacture and servicing of electronic equipment. Power tools include pneumatic (air), cord-free (battery) and corded (electric) tools such as impact wrenches, ratchets, chisels, drills, sanders, polishers and similar products. Tool storage units include tool chests, roll cabinets and other similar products for automotive, industrial, aerospace and other storage applications. The majority of products are manufactured by Snap-on; to complete the product line, some items are purchased from external manufacturers.

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

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

Trade Names/Trademarks	Products and Services
Snap-on	Hand tools, power tools, tool storage units, and certain equipment
Blue Point	Hand tools, power tools, tool storage units
J.H. Williams (Williams	Hand tools
A.T.I. Tools (ATI)	Tools and equipment for aerospace and industrial applications
Sioux Tools (Sioux)	Power tools
Sun Electric (Sun)	Diagnostics and service equipment
Balco	Engine diagnostics and wheel balancers
White	Equipment to recover, recycle and recharge refrigerant in vehicle air-conditioning systems
John Bean	Under-car and other service equipment
Wheeltronic	Hoists and lifts for vehicle service shops
Hofmann	Wheel balancers, lifts, tire changers and aligners
G.S.	Wheel service equipment

Brewco	Frame straightening equipment, vehicle measuring systems, paint booths and other collision repair equipment
Hein-Werner	Collision repair products
Mitchell	Repair and service information and shop management systems

The Financial Services segment offers credit programs that facilitate the sale of many of the Corporation's products and services. Through a contractual arrangement, extended credit is offered to technicians to enable them to purchase tools and equipment that can be used to generate income while they pay for the products over time. Financing, in a lease format, is also offered to shop owners, both independent and national chains, who purchase equipment items, which typically are higher price point products than tools. The duration of lease contracts is often two to three times that of extended credit contracts.

The Corporation's financing activities have been conducted primarily through its Snap-on Credit Corporation (the "Credit Corp") subsidiary. The Credit Corp is responsible for certain credit and non-credit services used to support sales and to provide dealer financing options. Currently, the majority of its revenues are derived from the automotive service industry in North America.

Credit Corp also makes available financing to new dealers, whereby a 10-year loan is originated to enable the dealer to fund the purchase of the franchise and the related working capital needs, particularly inventory and customer receivables.

On January 3, 1999, the Corporation established a joint venture with Newcourt Financial USA Inc. ("Newcourt") to provide financial services to the Corporation's global dealer and customer network. Such services will be provided through a limited liability company know as Snap-on Credit LLC (the "LLC"), which is 50% owned by the Corporation and 50% owned by Newcourt. As a result of the establishment of the joint venture, the Corporation effectively outsourced to the LLC the credit function that the Credit Corp previously managed. Additional information about the LLC is provided in Note 15 on page 39 of the Corporation's 1998 Annual Report, incorporated herein by reference.

Market Sectors Served

The Corporation markets and distributes its products and related services primarily to professional users around the world in two market sectors: the vehicle service and repair sector, and the industrial sector

Vehicle Service and Repair Sector

The vehicle service and repair sector has three main customer groups: professional technicians, primarily in the vehicle service industry, who purchase tools and equipment for themselves; service and repair shop owners and managers -- including independent shops, national chains and automotive dealerships -- who purchase equipment for use by multiple technicians within a service or repair facility; and vehicle manufacturers.

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

Major challenges for the Corporation and the vehicle service and repair industry include the increasing rate of technological change within motor vehicles, and the evolution in the conduct of business by both suppliers and customers that is necessitated by such change.

Industrial Sector

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

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

Distribution Channels

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

Dealer/Tech Rep Organization

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

The dealer sales force is supported by the Snap-on/Sun Tech Systems employee sales force ("Tech Specialists"), who work with dealers in the demonstration and sale of diagnostics equipment and also sell higher-end diagnostics and shop equipment on their own. Tech Specialists are compensated primarily on the basis of commission; dealers receive a commission for referring business to Tech Specialists.

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

Since 1991, all new U.S. dealers, and a majority of existing U.S. dealers, have been enrolled as franchisees of the Corporation. The Corporation currently charges initial and ongoing monthly license fees, which do not add materially to the Corporation's revenues. The Corporation makes it possible for prospective dealer candidates to work as employee sales representatives, at salary plus commission, for up to one year prior to making an investment in a franchise. In addition, through Snap-on Financial Services, Inc. and its subsidiary, the Credit Corp, the Corporation provides financial assistance for newly converted franchised dealers and other new franchise dealers, which could include financing for initial license fees, inventory, revolving accounts receivable acquisition, equipment, fixtures, other expenses and an initial checking account deposit. At year-end 1998, approximately 89 percent of all U.S. dealers were enrolled as franchisees.

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

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

Company Direct Sales

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

Tools and equipment are marketed to industrial and governmental customers and for the medical profession in the United States through industrial sales representatives, who are employees, and independent industrial distributors. The sales representatives focus on industrial customers whose main purchase criteria are quality and service, as well as on certain OEM accounts. At the end of 1998, the Corporation had industrial sales representatives in the United States, Canada, Australia, Japan, Mexico, Puerto Rico, and some European countries, with the United States representing the majority of the Corporation's total industrial sales.

Tools and equipment for the U.S. industrial and government markets are sold through a direct sales force as well as through industrial distributors. In most markets outside the United States, industrial sales are conducted through distributors.

Distributors

Sales of certain tools and equipment are made through automotive and industrial distributors, who purchase the items from Snap-on and resell them to the end users. Products sold through distributors in North America, Europe and select other parts of the world include under-car and other service equipment. These products are sold under brands including John Bean, Hofmann, Irimo, Palmero and Acesa, and are differentiated from those sold through the dealer/tech rep and direct sales channels. Sun brand equipment is marketed through distributors in South America and Asia, and through both a direct sales force and distributors in Europe.

Competition

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

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

Raw Material & Purchased Product

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

The majority of 1998 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 1998 consolidated net sales.

Patents and Trademarks

The Corporation vigorously pursues and relies on patent protection to protect its inventions and its position in its markets. As of January 2, 1999, the Corporation and its subsidiaries held over 1,000 patents worldwide, with more than 600 pending patent applications. No sales relating to any single patent represent a material portion of the Corporation's revenues in 1998.

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

Much of the technology used in the manufacturing of 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.

Trademarks used by the Corporation are of continuing importance to the

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

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

Working Capital

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

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 17 to 23 of the Corporation's 1998 Annual Report and is incorporated herein by reference.

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

Environment

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

Employees

At the end of 1998, the Corporation employed approximately 12,000 people, of whom approximately 38 percent are engaged in manufacturing activities.

Item 2: Description of Properties

The Corporation maintains both leased and owned manufacturing, warehouse, distribution and office facilities throughout the world. The Corporation believes that its facilities are well maintained and have a capacity adequate to meet the Corporation's present and foreseeable future demand. The Corporation's U.S. facilities occupy approximately 4.6 million square feet, of which approximately 75 percent is owned. The Corporation's facilities outside the U.S. contain approximately 2.6 million square feet, of which approximately 52 percent is owned.

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

Location	Type of property	Owned/Leased
Conway, Arkansas	Manufacturing	Owned
City of Industry, California	Manufacturing	Leased
Escondido, California	Manufacturing	Owned
San Jose, California	Manufacturing	Leased
Columbus, Georgia	Manufacturing	Owned
Crystal Lake, Illinois	Distribution and manufacturing	Owned
Mt. Carmel, Illinois	Manufacturing	Owned
Ottawa, Illinois	Distribution	Owned
Algona, Iowa	Manufacturing	Owned
Sioux City, Iowa	Manufacturing	Owned
Natick, Massachusetts	Manufacturing	Owned
Olive Branch, Mississippi	Distribution	Leased and owned
Carson City, Nevada	Distribution	Leased and owned
Robesonia, Pennsylvania	Distribution	Owned

Johnson City, Tennessee	Manufacturing	Owned
Elizabethton, Tennessee	Manufacturing	Owned
Baraboo, Wisconsin	Manufacturing	Leased
East Troy, Wisconsin	Manufacturing	Owned
Elkhorn, Wisconsin	Manufacturing	Owned
Kenosha, Wisconsin	Manufacturing	Owned
Milwaukee, Wisconsin	Manufacturing	Owned
Sydney, Australia	Distribution	Leased
Barbara D'oeste, Brazil	Manufacturing	Owned
Calgary, Canada	Distribution	Leased
Mississagua, Canada	Manufacturing	Leased
Newmarket, Canada	Distribution and manufacturing	Owned
Kettering, England	Distribution	Owned
King's Lynn, England	Distribution and manufacturing	Owned
Altmittweida, Germany	Distribution	Owned
Pfungstadt, Germany	Manufacturing	Leased
Unterneukirchen, Germany	Manufacturing	Leased
Sopron, Hungary	Manufacturing	Owned
Shannon, Ireland	Manufacturing	Leased
Corregio, Italy	Manufacturing	Owned
Tokyo, Japan	Distribution	Leased
Amsterdam, the Netherlands	Distribution	Owned
Irun, Spain	Manufacturing	Owned
Soria, Spain	Manufacturing	Owned
Urretxu, Spain	Manufacturing	Owned
Vitoria, Spain	Distribution and manufacturing	Owned

Item 3: Legal Proceedings

The Corporation intervened in litigation commenced by Tejas Testing Technology One, L.C. and Tejas Testing Technology Two, L.C. (the "Tejas Companies"), and is involved in a suit with SPX Corporation, as described in Note 12 to the Financial Statements of the Corporation on pages 36 and 37 of its 1998 Annual Report, which is incorporated herein by reference.

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

There was no matter submitted to a vote of the shareholders during the fourth quarter of the fiscal year ending January 2, 1999.

Executive Officers of the Registrant

The executive officers of the Corporation, their ages as of January 2, 1999, and their current titles and positions held during the last five years are listed below.

Robert A. Cornog (58) - Chairman, President and Chief Executive Officer since July 1991. A Director since 1982.

Branko M. Beronja (64) - Executive Vice President since October 1998. Senior Vice President - Diagnostics from February 1998 to October 1998. Senior Vice President - Diagnostics, North America from April 1996 to February 1998. President - North American Operations from April 1994 to April 1996, and Vice President - Sales, North America from August 1989 to April 1994. A Director since January 1997.

Frederick D. Hay (54) - Senior Vice President - Operations since October 1998. Senior Vice President - Transportation from February 1996 to October 1998. Prior to joining Snap-on, he was President of the Interior Systems and Components Division of UT Automotive, a business unit of United Technologies Corporation, from December 1989 to January 1996.

Donald S. Huml (52) - Senior Vice President - Finance and Chief Financial Officer since August 1994. Prior to joining Snap-on, he was Vice President and

Chief Financial Officer of Saint-Gobain Corporation from December 1990 to August 1994.

Michael F. Montemurro (50) - Senior Vice President - Transportation since October 1998. Senior Vice President - Financial Services and Administration from August 1994 to October 1998. Senior Vice President - Financial Services, Administration and Chief Financial Officer from April 1994 to August 1994. Senior Vice President - Finance and Chief Financial Officer from March 1990 to April 1994.

Neil T. Smith (44) - Controller since November 1997. Financial Controller from June 1997 to November 1997. Director of Financial Analysis and Planning from December 1994 to May 1997. Prior to joining Snap-on, he was Director of Finance for the Nielsen Marketing Research Division of Dun and Bradstreet Corporation from January 1991 to December 1994.

Susan F. Marrinan (50) - Vice President, Secretary and General Counsel since January 1992.

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

PART II

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

On June 26, 1998, the Corporation's board of directors authorized the repurchase of up to $100.0 million of the Corporation's common stock. On June 27, 1997, the Corporation's board of directors authorized the repurchase of $100.0 million of the Corporation's common stock over a two-year period. At the end of 1998, the 1997 authorization essentially had been exhausted, and all of the 1998 authorization remained available. In 1996, the Corporation's board of directors approved an ongoing authorization to repurchase stock in an amount equivalent to that necessary to prevent dilution created by shares issued for stock options, employee and dealer stock purchase plans, and other corporate purposes. In 1998, the Corporation repurchased 2,279,400 shares of its common stock at an average price of $39.64.

At January 2, 1999, the Corporation had 65,668,945 shares of common stock outstanding. This consists of 58,744,926 shares which are considered outstanding for purposes of computing earnings per share and an additional 6,924,019 shares held in a Grantor Stock Trust which are considered outstanding for voting purposes only.

Subsequent to the end of the year, at its January 1999 meeting, the board of directors authorized the repurchase of up to an additional $50.0 million of the Corporation's common stock.

Additional information required by Item 5 is contained on in the Six-year Data and Investor Information on pages 41 and 45 of the Corporation's 1998 Annual Report and is incorporated herein by reference.

Item 6: Selected Financial Data

The information required by Item 6 is contained in the Quarterly Information and Six-year Data on pages 40 and 41 of the Corporation's 1998 Annual Report and is incorporated herein by reference.

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

The information required by Item 7 is contained on pages 17 to 23 of the Corporation's 1998 Annual Report and is incorporated herein by reference.

Item 7A: Qualitative and Quantitative Disclosures About Market Risk

The information required by Item 7A is contained on pages 22 and 32 of the Corporation's 1998 Annual Report and is incorporated herein by reference.

Item 8: Financial Statements and Supplementary Data

The information required by Item 8 is contained on pages 24 to 39 of the Corporation's 1998 Annual Report and is incorporated herein by reference.

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

None.

PART III

Item 10: Directors and Executive Officers of the Registrant

The identification of the Corporation's directors as required by Item 10 is contained in the Corporation's Proxy Statement, dated March 12, 1999, and is incorporated herein by reference to said Proxy Statement. With respect to information about the Corporation's executive officers, see caption "Executive Officers of the Registrant" at the end of Part I of this report.

The disclosure concerning Section 16(a) filing compliance pursuant to Item 405 of Regulation S-K is contained on page 19 of the Corporation's Proxy Statement, dated March 12, 1999, and is incorporated herein by reference to said Proxy Statement.

Item 11: Executive Compensation

The information required by Item 11 is contained on pages 15 to 18 of the Corporation's Proxy Statement, dated March 12, 1999, and is incorporated herein by reference.

Item 12: Security Ownership of Certain Beneficial Owners and Management

The information required by Item 12 is contained on pages 8 to 9 of the Corporation's Proxy Statement, dated March 12, 1999, and is incorporated herein by reference.

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 Incorporated, and the Auditors' Report thereon, each included in the 1998 Annual Report of the Corporation to its shareholders for the year ended January 2, 1999, are incorporated by reference in Item 8 of this report:

Consolidated Balance Sheets as of January 2, 1999 and January 3, 1998.

Consolidated Statements of Earnings for the years ended January 2, 1999, January 3, 1998 and December 28, 1996.

Consolidated Statements of Shareholders' Equity and Comprehensive Income for the years ended January 2, 1999, January 3, 1998 and December 28, 1996.

Consolidated Statements of Cash Flows for the years ended January 2, 1999, January 3, 1998 and December 28, 1996.

Notes to Consolidated Financial Statements.

2. Financial Statement Schedule

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

Schedule II Valuation and Qualifying Accounts and Reserves. Page 18

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 1998 Annual Report in the Notes to Consolidated Financial Statements for the years ended January 2, 1999, January 3, 1998 and December 28, 1996, which are incorporated by reference in Item 8 of this report.

3. List of Exhibits

The exhibits filed with or incorporated by reference in this report are as specified in the exhibit index. Page 16

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

During the fourth quarter of 1998, the Corporation reported on Form 8-K dated October 22, 1998 its third quarter 1998 Analyst Bulletin.

Subsequent to year-end, the Corporation reported on Form 8-K dated January 19, 1999 that the Corporation and Newcourt Financial USA Inc. had established a joint venture known as Snap-on Credit LLC, which will serve as the preferred provider of financial services to the Corporation's global dealer and customer network.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON FINANCIAL STATEMENT SCHEDULE

We have audited, in accordance with generally accepted auditing standards, the financial statements included in Snap-on Incorporated's (the "Corporation") Annual Report to Shareholders, incorporated by reference in this Form 10-K, and have issued our report thereon dated February 2, 1999. Our audit was made for the purpose of forming an opinion on those statements taken as a whole. The schedule listed on page 18 is the responsibility of the Corporation's management and is presented for purposes of complying with the Securities and Exchange Commission's rules and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

/s/ Arthur Andersen LLP

ARTHUR ANDERSEN LLP

Chicago, Illinois
February 2, 1999

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation by reference in this Form 10-K of our report dated February 2, 1999 included in the Corporation's previously filed Registration Statement File Nos. 2-53663, 2-53578, 33-7471, 33-22417, 33-37924, 33-39660, 33-57898, 33-55607, 33-58939, 33-58943, 333-14769, 333-21277, 333-21285 and 333-41359. It should be noted that we have not audited any financial statements of the Corporation subsequent to January 2, 1999 or performed any audit procedures subsequent to the date of our report.

/s/ Arthur Andersen LLP

ARTHUR ANDERSEN LLP

Chicago, Illinois
March 29, 1999

SIGNATURES

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

SNAP-ON INCORPORATED

By: /s/ R. A. Cornog Date: March 26, 1999
R. A. Cornog, Chairman of the Board of Directors,
President and Chief Executive Officer

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

/s/ R. A. Cornog Date: March 26, 1999
R. A. Cornog, Chairman of the Board of Directors,
President and Chief Executive Officer

/s/ D. S. Huml Date: March 26, 1999
D. S. Huml, Principal Financial Officer,
and Senior Vice President - Finance

/s/ N. T. Smith Date: March 26, 1999
N. T. Smith, Principal Accounting Officer,
and Controller

SIGNATURES

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

By: /s/ B. M. Beronja Date: March 26, 1999
B. M. Beronja, Director

By: /s/ D. W. Brinckman Date: March 26, 1999

D. W. Brinckman, Director

By: /s/ B. S. Chelberg Date: March 26, 1999
B. S. Chelberg, Director

By: /s/ R. J. Decyk Date: March 26, 1999
R. J. Decyk, Director

By: /s/ L. A. Hadley Date: March 26, 1999
L. A. Hadley, Director

By: /s/ A. L. Kelly Date: March 26, 1999
A. L. Kelly, Director

By: /s/ G. W. Mead Date: March 26, 1999
G. W. Mead, Director

By: /s/ J. D. Michaels Date: March 26, 1999
J. D. Michaels, Director

By: /s/ E. H. Rensi Date: March 26, 1999
E. H. Rensi, Director

By: /s/ R. F. Teerlink Date: March 26, 1999
R. F. Teerlink, Director

EXHIBIT INDEX

Item 14(c): Exhibits

(3) (a) Restated Certificate of Incorporation of the Corporation as amended through April 25, 1997 (incorporated by reference to Exhibit (3)(a) to the Corporation's Annual Report on Form 10-K for the fiscal year ended January 2, 1998 (Commission File No. 1-7724))

(b) Bylaws of the Corporation, effective as of January 26, 1996 (incorporated by reference to Exhibit (3)(b) to the Corporation's Annual Report on Form 10-K for the fiscal year ended December 30, 1996 (Commission File No. 1-7724))

(4) (a) Rights Agreement between the Corporation and First Chicago Trust Company of New York, effective as of August 22, 1997 (incorporated by reference to the Corporation's Form 8-A12B dated October 17, 1997 (Commission File No. 1-7724))

The Corporation and its subsidiaries have no long-term debt agreement for which the related outstanding debt exceeds 10% of consolidated total assets as of January 2, 1999. Copies of debt instruments for which the related debt is less than 10% of consolidated total assets will be furnished to the Commission upon request.

(10) Material Contracts

(a) Amended and Restated Snap-on Incorporated 1986 Incentive Stock Program (incorporated by reference to Exhibit (10)(a) to the Corporation's Annual Report on Form 10-K for the fiscal year ended December 28, 1996 (Commission File No. 1-7724))*

(b) Form of Restated Senior Officer Agreement between the Corporation and each of Robert A. Cornog, Branko M. Beronja, Frederick D. Hay, Donald S. Huml and Michael F. Montemurro (incorporated by reference to Exhibit (10)(b) to the Corporation's Annual Report on Form 10-K for the fiscal year ended December 30, 1995 (Commission File No. 1-7724))*

(c) Form of Restated Executive Agreement between the Corporation and each of Alan T. Biland, Sharon M. Brady, Richard V. Caskey, Dan G. Craighead, Dale F. Elliott, Nicholas L. Loffredo, Denis J. Loverine, Susan F. Marrinan and Neil T. Smith (incorporated by reference to Exhibit (10)(b) to the Corporation's Annual Report on Form 10-K for the fiscal year ended December 30, 1995 (Commission File No. 1-7724))*

(d) Deferred Compensation Waiver and Insurance Benefit Agreement between the Corporation and Robert A. Cornog dated January 30, 1998.*

(e) Deferred Compensation Waiver and Insurance Benefit Agreement between the Corporation and Branko M. Beronja dated December 21, 1998*

(f) Form of Indemnification Agreement between the Corporation and each of the Directors, Frederick D. Hay, Donald S. Huml, Susan F. Marrinan and Michael F. Montemurro effective October 24, 1997 (incorporated by reference to Exhibit (3)(a) to the Corporation's Annual Report on Form 10-K for the fiscal year ended January 2, 1998 (Commission File No. 1-7724))*

(g) Amended and Restated Snap-on Incorporated Directors' 1993 Fee Plan (incorporated by reference to Exhibit (10)(e) to the Corporation's Annual Report on Form 10-K for the fiscal year ended December 28, 1996 (Commission File No. 1-7724))*

(h) Snap-on Incorporated Deferred Compensation Plan (incorporated by reference to Exhibit (10)(f) to the Corporation's Annual Report on Form 10-K for the fiscal year ended December 28, 1996 (Commission File No. 1-7724))*

(i) Snap-on Incorporated Supplemental Retirement Plan for Officers (incorporated by reference to Exhibit (10)(b) to the Corporation's Annual Report on Form 10-K for the fiscal year ended December 30, 1995 (Commission File No. 1-7724))*

(j) Benefit Trust Agreement between the Corporation and The Northern Trust Company, effective as of July 2, 1998 (incorporated by reference to the Corporation's Form 8-K dated July 2, 1998 (Commission File No. 1-7724))

(12) Computation of Ratio of Earnings to Fixed Charges

(13) Annual Report to Shareholders

(21) Subsidiaries of the Corporation

(23) Consent of Independent Public Accountants

(27) Fiscal 1998 Financial Data Schedule

* Denotes management contract or compensatory plan or arrangement

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS AND RESERVES

Description	Balance at Beginning of Year	Balance of Subsidiary at Time of Acquisition	Expenses	Costs and Deductions (1)	Balance at End of Year
Allowance for doubtful accounts					
Year ended January 2, 1999	$20,644,676	$ 2,072,723	$24,983,781	$18,470,578	$29,230,602
Year ended January 3, 1998	$16,902,581	$ 2,220,474	$21,039,748	$19,518,127	$20,644,676
Year ended December 28, 1996	$14,650,458	$ 296,140	$13,611,414	$11,655,431	$16,902,581

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

EXHIBIT 10.d

DEFERRED COMPENSATION WAIVER
AND INSURANCE BENEFIT AGREEMENT

This Agreement is entered into this 30th day of January, 1998, by and between SNAP-ON INCORPORATED, a Delaware corporation (the "Company"), and ROBERT A. CORNOG (the "Executive").

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

WHEREAS, the Executive has previously deferred at least Seven Thousand Seven Hundred Fifty Dollars ($7,750) per month for the period beginning on February 27, 1998, and ending on December 31, 1998; and

WHEREAS, the Executive may earn a bonus for calendar year 1998 which would be payable in 1999; and

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

WHEREAS, as of the date of this Agreement, the Executive and the Company believe that the net Present Value of the Company's obligations under the Split-Dollar Agreement are equivalent to the Present Value of the Executive's waiver of rights under Section 1 of this Agreement.

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

1. Definitions.

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

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

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

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

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

f. Senior Officer Agreement. The Restated Senior Officer Agreement dated January 29, 1996, between the Company and the Executive

2. Executive's Waiver of Rights.

a. The Executive hereby waives any and all rights to receive One Million Dollars ($1,000,000) of the Executive's Cash Account under the Company's Deferred Compensation Plan as of the date of this agreement and Three Hundred Thousand Dollars of the Executive's Cash Account under the Company's Deferred Compensation Plan as of February 17, 1998 (the "Waived Existing Balance").

b. The Executive hereby waives any and all rights to (i) Seven Thousand Seven Hundred Fifty Dollars ($7,750) of his base salary per month for the period beginning on February 27, 1998, and ending on December 31, 1998, which he has previously deferred and (ii) Seven Thousand Seven Hundred Fifty Dollars ($7,750) of his base salary for the period beginning on January 1, 1999, and ending on January 31, 1999 (the "Waived Salary Amounts").

c. The Executive hereby waives any and all rights to Two Hundred Seven Thousand Dollars ($207,000) of the bonus which would otherwise be payable to the Executive in 1999 with respect to the Company's performance in 1998 (the "Waived Bonus Amount").

d. In the event that the Executive's employment by the Company (as defined in the Executive's Senior Officer Agreement) is terminated for any reason prior to the time(s) when the Executive would have otherwise earned the right to receive some or all of the compensation waived under Sections 2.b or 2.c of this Agreement, the Executive hereby waives a portion of other compensation otherwise payable to him equal to the Present Value of the amount of compensation waived under Sections 2.b and 2.c of this Agreement which the Executive did not earn the right to receive prior to the termination of the Executive's employment, based on the assumptions set forth in Exhibit B to this Agreement. This waiver shall first apply to any compensation otherwise payable to the Executive pursuant to the Executive's Senior Officer Agreement as a result of the Executive's termination, then to any bonus which would otherwise be payable to the Executive, then to any salary which would otherwise be payable to the Executive and then to any amount which would otherwise be payable to the Executive pursuant to the Company's Supplemental Retirement Plan for Officers.

3. Split-Dollar Agreement.

a. The Company and the Executive agree to enter into the Split-Dollar Agreement attached as Exhibit A to this Agreement. The Company agrees to pay the first ten (10) annual premium payments of Five Hundred Thirty-Three Thousand Six

Hundred Ten Dollars ($533,610) pursuant to Section 3 of the Split-Dollar Agreement, subject to adjustment as provided in this Agreement.

b. In the event that the Executive does not earn the compensation waived under Sections 2.b and 2.c of this Agreement and does not waive sufficient compensation pursuant to Section 2.d of this Agreement to offset such unearned compensation, the Company's obligation to make future premium payments under Section 3 of the Split-Dollar Agreement shall be adjusted so that the net Present Value of the Company's premium payments under Section 3 of the Split-Dollar Agreement (as recovered under Section 5 of the Split-Dollar Agreement) plus the net Present Value of any death benefit required to be paid under Section 4 of this Agreement, shall be equivalent to the Present Value of the Executive's Waived Deferred Compensation Plan Rights (as adjusted to reflect compensation actually waived) based on the assumptions set forth in Exhibit B to this Agreement.

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

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

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

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

5. Equivalence of Benefits.

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

6. Funding Upon a Change of Control.

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

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

7. Successors and Binding Agreements.

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

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

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

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

8. Notices.

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

9. Governing Law.

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

10. Settlement of Disputes; Arbitration.

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

11. Certain Limitations.

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

12. Miscellaneous.

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

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

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

In the presence of	SNAP-ON INCORPORATED
/s/	By /s/Michael F. Monetmurro
	Its Senior Vice President
/s/	/s/Robert A. Cornog
	Robert A. Cornog

EXHIBIT A

SNAP-ON INCORPORATED

SPLIT-DOLLAR INSURANCE AGREEMENT

1. This Agreement is entered into this 30th day of January, 1998, by and between SNAP-ON INCORPORATED, a Delaware corporation, and the CORNOG 1998 INSURANCE TRUST.

2. Definitions.

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

(b) "Insureds" means Robert A. Cornog and Virginia A. Cornog.

(c) "Insurer" means Northwestern Mutual Life.

(d) "Owner" means the Cornog 1998 Insurance Trust, who may or may not be the same person as the Insureds.

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

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

3. Premium Payments.

(a) The Company agrees to pay up to the first ten (10) annual premium payments of Five Hundred Thirty-Three Thousand Six Hundred Ten Dollars ($533,610) as they become due. The Owner shall be responsible for paying all premium payments not paid by the Company.

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

4. Policy Ownership.

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

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

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

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

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

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

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

5. Termination of Plan.

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

(1) Repay to the Company within 60 days of the date of termination an amount equal to the Company's Policy Interest. Or,

(2) Execute any and all instruments that may be required to vest ownership of the Policy in the Company; and the Company shall refund to Owner that part of any payment by the Owner under Section 3 for the premium payment period in which termination occurred representing the unexpired portion of that period. Thereafter, Owner shall have no further interest in the Policy.

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

6. The Insurer shall be bound only by the provisions of and endorsements on the Policy, and any payments made or action taken by it in accordance therewith shall fully

discharge it from all claims, suits and demands of all persons whatsoever. It shall in no way be bound by or be deemed to have notice of the provisions of this Agreement.

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

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

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

In the presence of

/s/
- -------------------------

SNAP-ON INCORPORATED

By /s/Michael F. Montemurro

Its Senior Vice President

OWNER

Cornog 1998 Insurance Trust

/s/
- -------------------------

/s/ Trustee

/s/
- -------------------------

/s/ Trustee

SCHEDULE A

LIFE INSURANCE

Policy Number	Initial Face Amount	Insureds' Initial Economic Benefit
14538602	$17,267,686	$4,183

SCHEDULE B

COLLATERAL ASSIGNMENT FORM

SNAP-ON INCORPORATED SPLIT-DOLLAR INSURANCE PLAN

Insurer: Northwestern Mutual Life

Insureds: Robert A. Cornog and Virginia A. Cornog

Policy No. 14538602

FOR VALUE RECEIVED, THIS ASSIGNMENT is made by the undersigned Owner effective this 30th day of January, 1998.

1. Definitions.

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

(b) "Insureds" means Robert A. Cornog and Virginia A. Cornog.

(c) "Insurer" means Northwestern Mutual Life.

(d) "Owner" means the Cornog 1998 Insurance Trust.

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

Policy Number: 14538602 Face Amount: $17,267,686

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

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

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

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

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

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

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

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

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

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

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

Cornog 1998 Insurance Trust

Trustee

- ------------------------ ---

Trustee

- ------------------------ ---

EXHIBIT B

SNAP-ON INCORPORATED
CALCULATION OF NET PRESENT VALUE OF CORPORATE CASH FLOWS
January, 1998

		Corporate Cost of Deferral Program					
		(1)	(2)	(3)	(4) 63%(3)	(5) 63%(2)	(6) NPV Sum (4) +NPV(3)
				Annual Payment			
Yr.	Age	Deferred Compen-sation	End of Year Account Balance	Gross	Net A/T	Net A/T Death Benefit Payable	Net Present Value
		1,300,000					
	58	300,000	1,732,740	0	0	1,091,626	1,051,865
	59	0	1,888,686	0	0	1,189,872	1,104,773
1	60	0	2,058,668	0	0	1,296,961	1,160,342
1	61	0	2,243,948	0	0	1,413,687	1,218,705
5	62	0	2,096,251	320,782	202,093	1,320,638	1,271,242
5	63	0	1,935,262	320,782	202,093	1,219,215	1,317,977
7	64	0	1,759,783	320,782	202,093	1,108,663	1,358,926
8	65	0	1,568,511	320,782	202,093	988,162	1,394,095
9	66	0	1,360,025	320,782	202,093	856,816	1,423,479
10	67	0	1,132,775	320,782	202,093	713,648	1,447,062
11	68	0	885,073	320,782	202,093	557,596	1,464,816
12	69	0	615,077	320,782	202,093	387,499	1,476,705
13	70	0	320,782	320,782	202,093	202,093	1,482,680
14	71	0	0	320,782	202,093	0	1,482,680
15	72	0	0	0	0	0	1,482,680
	73	0	0	0	0	0	1,482,680
		1,600,000		0	2,202,925		

		Corporate Cost of Waiver Program			Survivor Benefit	
		(7)	(8) Sum(7)	(9) NPV Sum (7) +NPV(8)	(10) (6)-(9)	(11) (10)/63%
Yr.	Age	Scheduled Premium Outlay	Premium Recovery At Death	Net Present Value	Net A/T Corp. Value In Excess of Waived Compensation	Lump Sum Payable
	58	533,610	(533,610)	19,436	1,032,430	1,638,777
	59	533,610	(1,067,220)	56,892	1,047,881	1,663,304
1	60	533,610	(1,600,830)	111,029	1,049,313	1,665,576
1	61	533,610	(2,134,440)	180,583	1,038,123	1,647,814
5	62	533,610	(2,668,050)	264,358	1,006,883	1,598,228
5	63	533,610	(3,201,660)	361,227	956,749	1,518,650
7	64	533,610	(3,735,270)	470,125	888,801	1,410,796
8	65	533,610	(4,268,879)	590,046	804,049	1,276,269
9	66	533,610	(4,802,489)	720,044	703,435	1,116,564
10	67	533,610	(5,336,099)	859,224	587,837	933,075
11	68	0	(5,336,099)	993,336	471,481	748,382
12	69	0	(5,336,099)	1,122,562	354,143	562,132
13	70	0	(5,336,099)	1,247,082	235,598	373,966
14	71	0	(5,336,099)	1,367,066	115,614	183,514
15	72	0	(5,336,099)	1,482,680	0	0
	73	(5,336,099)	0	1,482,680	0	0

Assumptions

Additional Deferral	300,000		
Initial Deferral	1,300,000	Tax Rate	37%
		Interest Crediting Rate	9%
Years to Waive	1	NPV Interest Rate	6%
Years to Defer	4	Year to Roll-Out (End of Year)	15

EXHIBIT C

SNAP-ON INCORPORATED INSURANCE BENEFIT TRUST

(Established pursuant to the Deferred Compensation Waiver and Insurance Benefit Agreement dated January 30, 1998, between Snap-on Incorporated and Robert A. Cornog)

(a) This Agreement made this ______ day of December, 1998, by and between SNAP-ON INCORPORATED, a Delaware Corporation (the "Company") and THE NORTHERN TRUST COMPANY ("Trustee");

(b) WHEREAS, Company has entered into a Deferred Compensation Waiver And Insurance Benefit Agreement with Robert A. Cornog dated January 30, 1998 (the "Plan").

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

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

(e) WHEREAS, all payments made pursuant to the Plan are made to or for the benefit of Robert A. Cornog, Virginia A. Cornog, the Robert A. Cornog 1998 Insurance Trust, the beneficiary designated by Robert A. Cornog pursuant to Section 4 of the Plan or the estate of the survivor of Robert A. Cornog and Virginia A. Cornog (the "Plan Beneficiaries");

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

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

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

Section 1. Establishment of Trust.

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

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

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

(d) Company shall have the right at any time, and from time to time in its sole discretion, to substitute assets of equal fair market value for any asset held by the Trust. This right is exercisable by Company in a nonfiduciary capacity without the approval or consent of any person in a fiduciary capacity.

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

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

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

Section 2. Payments Under the Plan.

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

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

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

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

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

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

(1) The Board of Directors and the Chief Executive Officer of Company shall have the duty to inform Trustee in writing of Company's Insolvency. If a person claiming to be a creditor of Company alleges in writing to Trustee that Company has become Insolvent, Trustee shall determine whether Company is Insolvent and, pending such determination, Trustee shall discontinue payment of benefits under the Plan.

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

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

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

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

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

Section 4. Payments to Company.

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

Section 5. Disposition of Income.

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

Section 6. Accounting by Trustee.

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

Section 7. Responsibility of Trustee.

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

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

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

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

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

(f) To invest and reinvest part or all of the trust fund in any real or personal property (including investments in any stocks, bonds, debentures, mutual fund shares (including those for which the Trustee or its affiliate is advisor), notes, commercial paper, treasury bills, options, commodities, futures contracts, partnership interests, venture capital investments, any interest bearing deposits held by any bank or similar financial institution, and any other real or personal property) and to diversify such investments so as to minimize the risk of large losses unless under the circumstances it is clearly prudent not to do so; except that the Company may from time to time establish investment guidelines and the trustee shall follow such investment guidelines.

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

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

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

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

(k) To employ counsel and to begin, maintain or defend any litigation necessary in connection with the administration of this trust except that, unless otherwise required by law, the trustee shall not be obliged or required to do so unless indemnified to the trustee's satisfaction.

(l) To withhold, if the trustee considers it advisable, all or any part of any payment required to be made hereunder as may be necessary and proper to protect the trustee or the trust fund against any liability or claim on account of any estate, inheritance, income or other tax or assessment attributable to any amount payable hereunder, and to discharge any such liability with any part or all of such payment so withheld, provided that at least ten days prior to discharging any such liability with any amount so withheld the trustee shall notify the Company in writing of the trustee's intent to do so.

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

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

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

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

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

Section 8. Compensation and Expenses of Trustee.

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

Section 9. Resignation of Trustee.

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

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

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

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

Section 10. Appointment of Successor.

(a) If Trustee resigns a successor Trustee shall be appointed by the written consent of the Company and all Plan Beneficiaries. The Company shall be responsible for securing the written consent of all Plan Beneficiaries and providing such consents to the former Trustee and the new Trustee. Any third party such as a bank trust department or other party that may be granted corporate trustee powers under state law may be appointed successor Trustee. The appointment of a successor Trustee shall be effective when accepted in writing by the new Trustee. The new Trustee shall have all the rights and powers of the former Trustee, including ownership rights in Trust assets. The former Trustee shall execute any instrument necessary or reasonably requested by the successor Trustee to evidence the transfer.

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

Section 11. Amendment or Termination.

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

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

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

Section 12. Miscellaneous.

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

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

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

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

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

Section 13. Effective Date.

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

In the presence of   SNAP-ON INCORPORATED

______________________________   By ______________________________

______________________________   Its ______________________________

THE NORTHERN TRUST COMPANY, Trustee

By ______________________________

Its ______________________________

EXHIBIT 10.e

DEFERRED COMPENSATION WAIVER
AND INSURANCE BENEFIT AGREEMENT

This Agreement is entered into this 21st day of December, 1998, by and between SNAP-ON INCORPORATED, a Delaware corporation (the "Company"), and BRANKO M. BERONJA (the "Executive").

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

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

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

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

1. Definitions.

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

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

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

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

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

f. Senior Officer Agreement. The Restated Senior Officer Agreement dated January 29, 1996, between the Company and the Executive

2. Executive's Waiver of Rights.

The Executive hereby waives any and all rights to receive One Hundred Fifty Thousand Dollars ($150,000) of the Executive's Cash Account under the Company's Deferred Compensation Plan as of the date of this agreement (the "Waived Existing Balance").

3. Split-Dollar Agreement.

The Company agrees to enter into the Split-Dollar Agreement attached as Exhibit A to this Agreement. The Company agrees to pay the first ten (10) annual premium payments of Forty-One Thousand Three Hundred Seventy-Seven Dollars ($41,377.00) pursuant to Section 3 of the Split-Dollar Agreement.

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

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

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

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

5. Equivalence of Benefits.

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

6. Funding Upon a Change of Control.

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

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

7. Successors and Binding Agreements.

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

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

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

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

8. Notices.

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

9. Governing Law.

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

10. Settlement of Disputes; Arbitration.

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

11. Certain Limitations.

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

12. Miscellaneous.

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

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

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

In the presence of	SNAP-ON INCORPORATED
/s/Shelly Lange	By /s/Michael F. Montemurro
	Its Senior Vice President
/s/Shelly Lange	/s/Branko M. Beronja
	Branko M. Beronja

EXHIBIT A

SNAP-ON INCORPORATED

SPLIT-DOLLAR INSURANCE AGREEMENT

1. This Agreement is entered into this 21st day of December, 1998, by and between SNAP-ON INCORPORATED, a Delaware corporation, and the BRANKO AND JOANNE BERONJA 1998 INSURANCE TRUST.

2. Definitions.

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

(b) "Insureds" means Branko M. and Joanne M. Beronja.

(c) "Insurer" means Northwestern Mutual Life.

(d) "Owner" means the Branko and Joanne Beronja 1998 Insurance Trust, who may or may not be the same person as the Insureds.

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

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

3. Premium Payments.

(a) The Company agrees to pay up to the first ten (10) annual premium payments of Forty-one Thousand Three Hundred Seventy-seven Dollars ($41,377) as they become due. The Owner shall be responsible for paying all premium payments not paid by the Company.

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

4. Policy Ownership.

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

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

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

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

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

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

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

5. Termination of Plan.

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

(1) Repay to the Company within 60 days of the date of termination an amount equal to the Company's Policy Interest. Or,

(2) Execute any and all instruments that may be required to vest ownership of the Policy in the Company; and the Company shall refund to Owner that part of any payment by the Owner under Section 3 for the premium payment period in which termination occurred representing the unexpired portion of that period. Thereafter, Owner shall have no further interest in the Policy.

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

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

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

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

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

In the presence of	SNAP-ON INCORPORATED
/s/Shelly Lange	By /s/Michael F. Montemurro
	Its Senior Vice President
	OWNER

BRANKO AND JOANNE BERONJA 1998
INSURANCE TRUST

/s/D.B. Bixby

/s/Gregory P. Beronja
Gregory P. Beronja, Trustee

/s/

SCHEDULE A

LIFE INSURANCE

Policy Number	Initial Face Amount	Insureds' Initial Economic Benefit
14888630	$1,239,913	$948

SCHEDULE B

COLLATERAL ASSIGNMENT FORM

SNAP-ON INCORPORATED SPLIT-DOLLAR INSURANCE PLAN

Insurer: Northwestern Mutual Life

Insureds: Branko M. and Joanne M. Beronja

Policy No. 14888630

FOR VALUE RECEIVED, THIS ASSIGNMENT is made by the undersigned Owner effective this 21st day of December, 1998.

1. Definitions.

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

(b) "Insureds" means Branko M. and Joanne M. Beronja.

(c) "Insurer" means Northwestern Mutual Life.

(d) "Owner" means the Branko and Joanne Beronja 1998 Insurance Trust.

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

Policy Number: 14888630 Face Amount: $1,239,913

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

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

2. Introduction. Under the Split-Dollar Plan, the Assignee has agreed to

assist the Owner in payment of premiums on the Policy. In consideration of such premium payments by the Assignee, the Owner grants herein to the Assignee certain limited interests in the Policy.

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

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

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

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

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

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

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

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

BRANKO AND JOANNE BERONJA 1998
INSURANCE TRUST

/s/D.B. Bixby

/s/Gregory P. Beronja
Gregory P. Beronja, Trustee

/s/

EXHIBIT B

SNAP-ON INCORPORATED
SUMMARY OF EXECUTIVE CASH FLOWS AND DEATH BENEFITS
March, 1999

		Deferral Program						
		Defer Compensation			Payment to Executive			
		(1)	(2)	(3)	(4)	(5) 60%(4)	(6) Cum(5)	(7) 60%(3)+(6)
Yr.	Age	Annual Deferral	Accum. Benefit	Remaining Liability	Gross	Net A/T	Cumulative Benefit At Interest	Death Benefit
1	64	150,000	150,000	140,127	21,443	12,866	13,561	97,637
2	65	0		129,365	21,443	12,866	27,854	105,473
3	66	0		117,635	21,443	12,866	42,918	113,499
4	67	0		104,849	21,443	12,866	58,796	121,706
5	68	0		90,913	21,443	12,866	75,532	130,080
6	69	0		75,722	21,443	12,866	93,172	138,605
7	70	0		59,164	21,443	12,866	111,763	147,262
8	71	0		41,116	21,443	12,866	131,359	156,029
9	72	0		21,443	21,443	12,866	152,013	164,879
10	73	0		0	21,443	12,866	173,783	173,783
11	74	0		0	0	0	183,167	183,167
12	75	0		0	0	0	193,058	193,058
13	76	0		0	0	0	203,483	203,483
14	77	0		0	0	0	214,471	241,471
15	78	0		0	0	0	226,053	226,053
16	79	0		0	0	0	238,259	238,259
17	80	0		0	0	0	251,125	251,125
18	81	0		0	0	0	264,686	264,686
19	82	0		0	0	0	278,979	278,979
20	83	0		0	0	0	294,044	294,044
21	84	0		0	0	0	309,923	309,923
22	85	0		0	0	0	326,658	326,658

150,000		0	214,431	128,659
==============			==========	==========

			Waiver Program		
			Second to Die Life Policy		
		(8)	(9)	(10)	(11)
		45%(7)		40%(9)	
Yr.	Age	Net to Heirs	Annual Gift to Trust	Income Tax Payable	Death Benefits
1	64	43,937	948	379	1,198,536
2	65	47,463	1,133	453	1,204,700
3	66	51,075	1,343	537	1,208,620
4	67	54,768	1,585	634	1,210,415
5	68	58,536	1,875	750	1,210,206
6	69	62,372	2,223	889	1,208,105
7	70	66,268	2,625	1,050	1,204,222
8	71	70,213	3,093	1,237	1,198,665
9	72	74,196	3,635	1,454	1,191,530
10	73	78,202	4,270	1,708	1,182,909
11	74	82,425	4,898	1,959	1,146,957
12	75	86,876	5,618	2,247	1,112,445
13	76	91,567	6,455	2,582	1,079,270
14	77	96,512	7,405	2,962	1,047,337
15	78	101,724	8,488	3,395	1,016,559
16	79	107,217	0	0	818,970
17	80	113,006	0	0	790,003
18	81	119,109	0	0	761,712
19	82	125,541	0	0	734,043
20	83	132,320	0	0	706,946
21	84	139,465	0	0	680,371
22	85	146,996	0	0	654,270
			---------	--------	
			55,590	22,236	
			=========	========	

Assumptions

Initial Deferral	150,000	Interest Crediting Rate	9%
Tax Rate - Individual	40%	Years to Defer	1
Tax Rate - Corporate	37%	Year to Roll-Out	15
Estate Tax Rate	55%		

EXHIBIT C

SNAP-ON INCORPORATED INSURANCE BENEFIT TRUST

(Established pursuant to the Deferred Compensation Waiver and Insurance Benefit Agreement dated December 21, 1998, between Snap-on Incorporated and Branko M. Beronja)

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

(b) WHEREAS, Company has entered into a Deferred Compensation Waiver And Insurance Benefit Agreement with Branko M. Beronja dated December 21, 1998 (the "Plan").

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

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

(e) WHEREAS, all payments made pursuant to the Plan are made to or for the benefit of Branko M. Beronja, Joanne M. Beronja, the Branko and Joanne Beronja 1998 Insurance Trust, the beneficiary designated by Branko M. Beronja pursuant to Section 4 of the Plan or the estate of the survivor of Branko M. Beronja and Joanne M. Beronja (the "Plan Beneficiaries");

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

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

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

Section 1. Establishment of Trust.

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

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

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

(d) Company shall have the right at any time, and from time to time in its sole discretion, to substitute assets of equal fair market value for any asset held by the Trust. This right is exercisable by Company in a nonfiduciary capacity without the approval or consent of any person in a fiduciary capacity.

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

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

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

Section 2. Payments Under the Plan.

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

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

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

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

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

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

(1) The Board of Directors and the Chief Executive Officer of Company shall have the duty to inform Trustee in writing of Company's Insolvency. If a person claiming to be a creditor of Company alleges in writing to Trustee that Company has become Insolvent, Trustee shall determine whether Company is Insolvent and, pending such determination, Trustee shall discontinue payment of benefits under the Plan.

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

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

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

(c) Provided that there are sufficient assets, if Trustee discontinues the payments from the Trust pursuant to Section 3(b) hereof and subsequently resumes such payments, the first payment following such discontinuance shall include the aggregate amount of all payments due under the terms of the Plan for the period of such discontinuance, less the aggregate amount of any payments made by Company in lieu of the payments provided for hereunder during any such period of discontinuance, all in accordance with the Payment Schedule. The Payment Schedule may only be modified by the Company with the written consent of all Plan Beneficiaries as necessary to comply with the provisions of this paragraph. The Company shall be responsible for securing the written consent of all Plan Beneficiaries and providing such consents to the Trustee.

Section 4. Payments to Company.

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

Section 5. Disposition of Income.

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

Section 6. Accounting by Trustee.

Trustee shall keep accurate and detailed records of all investments, receipts, disbursements, and all other transactions required to be made, including such specific records as shall be agreed upon in writing between Company and Trustee, which records may be audited annually (or at such other times as agreed by the Company and the Trustee) by the Company or anyone named by the Company. Within thirty (30) days following the close of each calendar year and within thirty (30) days after the resignation of Trustee, Trustee shall deliver to Company a written account of its administration of the Trust during such year or during the period from the close of the last preceding year to the date of such resignation, setting forth all investments, receipts, disbursements and other transactions effected by it, including a description of all securities and investments purchased and sold with the cost or net proceeds of such purchases or sales (accrued interest paid or receivable being shown separately), and showing all cash, securities and other property held in the Trust at the end of such year or as of the date of such resignation, as the case may be. In the absence of the filing in writing with the Trustee by the Company of exceptions or objections to any such account within ninety (90) days, the Company shall be deemed to have approved such account; in such case, or upon the written approval by the Company of any such account, the Trustee shall be released, relieved and discharged with respect to all matters and things set forth in such account as though such account had been settled by the decree of a court of competent

jurisdiction. The Trustee may conclusively rely on determinations of the Company of valuations for assets of the Trust for which the Trustee deems there to be no readily determinable fair market value and on the determination of the issuer of any insurance contracts with respect to the fair market value of such insurance contracts.

Section 7. Responsibility of Trustee.

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

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

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

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

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

(f) To invest and reinvest part or all of the trust fund in any real or personal property (including investments in any stocks, bonds, debentures, mutual fund shares (including those for which the Trustee or its affiliate is advisor), notes, commercial paper, treasury bills, options, commodities, futures contracts, partnership interests, venture capital investments, any interest bearing deposits held by any bank or similar financial institution, and any other real or personal property) and to diversify such investments so as to minimize the risk of large losses unless under the circumstances it is clearly prudent not to do so; except that the Company may from time to time establish investment guidelines and the trustee shall follow such investment guidelines.

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

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

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

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

(k) To employ counsel and to begin, maintain or defend any litigation necessary in connection with the administration of this trust except that, unless otherwise required by law, the trustee shall not be obliged or required to do so unless indemnified to the trustee's satisfaction.

(l) To withhold, if the trustee considers it advisable, all or any part of any payment required to be made hereunder as may be necessary and proper to protect the trustee or the trust fund against any liability or claim on account of any estate, inheritance, income or other tax or assessment attributable to any amount payable hereunder, and to discharge any such liability with any part or all of such payment so withheld, provided that at least ten days prior to discharging any such liability with any amount so withheld the trustee shall notify the Company in writing of the trustee's intent to do so.

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

it under this Trust Agreement. This paragraph shall survive the termination of the Trust Agreement.

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

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

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

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

Section 8. Compensation and Expenses of Trustee.

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

Section 9. Resignation of Trustee.

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

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

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

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

appointment of a successor or for instructions. All expenses of Trustee in connection with the proceeding shall be allowed as administrative expenses of the Trust.

Section 10. Appointment of Successor.

(a) If Trustee resigns a successor Trustee shall be appointed by the written consent of the Company and all Plan Beneficiaries. The Company shall be responsible for securing the written consent of all Plan Beneficiaries and providing such consents to the former Trustee and the new Trustee. Any third party such as a bank trust department or other party that may be granted corporate trustee powers under state law may be appointed successor Trustee. The appointment of a successor Trustee shall be effective when accepted in writing by the new Trustee. The new Trustee shall have all the rights and powers of the former Trustee, including ownership rights in Trust assets. The former Trustee shall execute any instrument necessary or reasonably requested by the successor Trustee to evidence the transfer.

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

Section 11. Amendment or Termination.

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

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

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

Section 12. Miscellaneous.

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

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

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

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

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

Section 13. Effective Date.

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

In the presence of	SNAP-ON INCORPORATED
	By -------------------------
- -------------------------	Its -------------------------
- -------------------------	THE NORTHERN TRUST COMPANY, Trustee
	By -------------------------
	Its -------------------------

Exhibit (12)

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

	1998	1997	1996
Net Earnings (Loss)	(4,779)	150,366	131,451
Add (Deduct):			
Income taxes	15,619	88,310	77,202
Minority interest in earnings of consolidated subsidiaries	4,228	4,461	-
Net Earnings as Defined	15,068	243,137	208,653
Fixed Charges:			
Interest on debt	21,254	17,654	12,649
Interest element of rentals	3,595	3,630	3,276
Total Fixed Charges	24,849	21,284	15,925
Total Adjusted Earnings Available for For Payment of Fixed Charges	39,917	264,421	224,578
Ratio of Earnings to Fixed Charges	1.6	12.4	14.1

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

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

Results of Operations

All analyses for 1998 include the effects of restructuring and other non-recurring charges and inventory adjustments ("1998 charges"), unless otherwise indicated.

The Corporation manufactures, markets and distributes tools, equipment and related services for automotive and industrial service customers around the world using multiple brands sold through multiple channels of distribution. In some instances, it also finances the purchase of those products.

Restructuring and other charges: In the third quarter of 1998, the Corporation recorded restructuring and other non-recurring charges related to its Project Simplify initiative, a broad program of internal rationalizations, consolidations and reorganizations intended to make the Corporation's business operations simpler and more effective. Of an expected total charge of approximately $185 million to be recorded through the first quarter of 2000, $133.1 million in pre-tax charges were taken in the third quarter of 1998 and $16.8 million were taken in the 1998 fourth quarter. Of the total $149.9 million in pre-tax charges recorded in 1998 ($107.6 million or $1.82 per share after taxes), $75.6 million is restructuring charges and $74.3 million represents other non-recurring charges. The Corporation expects that approximately 50% of the total charges will be non-cash, with the remaining 50% requiring cash outflows.

The $75.6 million of restructuring charges includes severance, non-cancelable lease agreements on facilities to be closed and other exit costs associated with the simplification initiative in the amount of $23.1 million. The Corporation has adjusted property, plant and equipment and other assets to net realizable value through an additional $6.3 million restructuring charge. As part of the restructuring efforts, the Corporation also has written off impaired goodwill and other intangible assets of certain discontinued business units and incurred a charge of $36.5 million. This amount relates to the write-down of remaining intangible balances recorded at the time those business units were acquired. As part of the elimination of these business units and their product lines, the Corporation has recorded a reserve in the amount of $9.7 million to provide additional warranty support, at no cost, for products already sold. The warranty charge has been included in Cost of Goods Sold - Discontinued Products, while all other restructuring charges recorded to date have been included in Restructuring and Other Non-recurring Charges on the accompanying Consolidated Statements of Earnings.

The other non-recurring charges of $74.3 million include $50.9 million to re-value discontinued stock keeping units ("SKUs") of inventory, costs to conclude certain non-recurring legal matters in the amount of $18.7 million and other transitional costs in the amount of $4.7 million. The reduction of SKUs is an effort to reduce transaction costs and working capital intensity of the Corporation's product offering and refocus on high-volume growth products. The non-recurring charge related to the reduction of SKUs has been included as part of Cost of Goods Sold - Discontinued Products, while the other non-recurring charges recorded to date have been included in Restructuring and Other Non-recurring Charges on the accompanying Consolidated Statements of Earnings. The composition of the restructuring reserves is presented in Note 14.

Shown in the table below is a breakdown of the restructuring and other non-recurring charges by segment:

(Amounts in thousands)	Restructuring	Non-recurring	Total
North America Transportation	$ 9,661	$13,576	$ 23,237
North America Other	51,810	51,046	102,856
Europe	7,900	4,789	12,689
International	2,836	4,841	7,677
Financial Services	3,400	4	3,404
Total	$75,607	$74,256	$149,863

The actions of Project Simplify are expected to lead to the closing of six manufacturing facilities, seven warehouses and 47 small offices in North America and Europe; the elimination of more than 1,100 positions; the elimination of nearly 12,000 SKUs; and the consolidation of certain business units. By the end of 1998, 509 positions were eliminated, including 100 of the 150 field manager positions identified for elimination. Of those field managers, approximately 50 are converting to franchised dealers. In addition, eight facilities were closed, the SKU-reduction activities were on schedule and the European operations had begun their staff reductions and facilities closures.

The Corporation expects to realize annual cost savings of approximately $60 million from the initiative. On an annual run-rate basis, the Corporation expects to achieve half of these savings in 1999, with the full amount achieved in 2000.

The decision to restructure was based on the complexity that had developed within the organization during the decade. In the early 1990s, management determined that the increased computerization of the systems contained in motor vehicles could result in broad changes in the approach to servicing and repairing such vehicles. Over time, the diagnosing of vehicle problems has grown much more complicated and requires a broader array of tools and equipment than was necessary in the past. In addition, the continuing growth in the global vehicle population resulted in opportunities for companies to expand worldwide. Since 1992, the Corporation has made 21 acquisitions and has grown from primarily a single-product, single-channel company to an organization serving multiple customers with multiple capabilities through multiple channels. It is also operating in more regions of the world.

The complexity created by this growth added costs, slowed decision making, and diffused responsibility and accountability. The organizational structure contained too many individual business units with overlapping functional disciplines. Each had its own product, brand and channel identity.

In order to combine businesses into larger, more integrated units, with operating responsibility assigned by brands and channels, and to implement a shared-function format in areas such as engineering, research, manufacturing, finance and administration, a more sophisticated computer system was required. The anticipated completion of the implementation of the Corporation's new enterprise-wide computer system in 1998 enabled the Corporation to begin to execute its plans to simplify its operations.

Fourth Quarter Results: Net earnings in the 1998 fourth quarter were $12.6 million, a decrease of 69.9% from the same period of 1997, because of the remaining difficulties related to the process issues connected with implementation of the Corporation's new computer system, and the 1998 charges. Reported earnings per share - diluted were $.21. On a pre-tax basis, restructuring and transition costs related to Project Simplify totaled $6.8 million ($.09 per share after tax) in the quarter. In addition, a portion of the charge taken in the third quarter for the reduction of SKUs included an estimated $10 million ($.10 per share after tax) LIFO benefit. The benefit was not realized and was reversed in the fourth quarter. Cost of goods sold in the quarter included a $14.1 million ($.15 per share after tax) reduction in inventory discussed in the "Cost and Profit Margins" section. Earnings in the fourth quarter of 1998 included a $3.1 million gain on the sale of a European facility, gains related to the sale of installment receivables and pension curtailment benefits related to the Corporation's restructuring initiatives.

Overview: Net sales in 1998 increased 6.0%. Sales from acquisitions and growth in the North America Transportation segment were primarily responsible for the increase. The translation of foreign-currency-denominated results into U.S. dollars negatively affected sales by approximately one percentage point. Excluding the results of acquisitions completed in 1998, sales declined approximately 1%. The unanticipated difficulties encountered in the implementation of the Corporation's new computer system, continued weakness in the economies in the Asia/Pacific region and difficult comparisons against 1997, which contained an unusually high level of emissions-testing equipment sales and was a 53-week year, affected sales. In 1997, net sales rose 12.6%, with increases recorded in all segments. Sales excluding acquisitions advanced approximately 7% in 1997.

In 1998, the Corporation reported a net loss of $4.8 million, following an increase in earnings of 14.4% in 1997. The reported loss per share in 1998 was $.08, after 1997's earnings per share grew 14.4% and 14.6% for basic and diluted earnings, respectively. The loss in 1998 was related to several factors: restructuring and other non-recurring charges of $149.9 million ($1.82 per share after tax) in connection with the implementation of the Corporation's Project Simplify initiative; costs and lost sales associated with the unanticipated difficulty of aligning internal processes with the Corporation's new enterprise-wide computer system; and costs related to the organizational complexity that developed as the Corporation made numerous acquisitions over the last six years. Excluding the 1998 charges, earnings per share - basic and earnings per share - diluted were $1.89 and $1.87, respectively. The increase in net earnings and earnings per share in 1997 was the result of higher sales and improvement in operating expenses as a percent of sales.

(Amounts in thousands, except per share data)	1998	1997	1996
Sales	$1,772,637	$1,672,215	$1,485,279
Net earnings (loss)	(4,779)	150,366	131,451
Earnings (loss) per common share - basic	$ (.08)	$ 2.47	$ 2.16
Earnings (loss) per common share - diluted	$ (.08)	$ 2.44	$ 2.13

The 1998 and 1996 years contained 52 weeks; 1997 was a 53-week year.

Cost and profit margins: The gross profit margin was 43.1% in 1998 and 50.5% in both 1997 and 1996. The decline in 1998's gross margin was due to a change in business mix resulting from several acquisitions, and a less favorable sales mix and additional costs related to the difficulties in shipping hand tools as the Corporation resolved process issues in connection with the implementation of its new computer system. In the fourth quarter of 1998, cost of goods sold also included a $14.1 million reduction in inventory related to the conversion to the new enterprise- wide computer system. The new system provides for much improved visibility at an item level on field inventory.

Total operating expenses as a percent of net sales increased to 39.8% in 1998 after successive decreases in 1997 and 1996. The 1997 and 1996 percentages were 38.9% and 40.0%, respectively. The 1998 performance was affected by the process difficulties encountered in implementing the Corporation's new computer system. Costs for additional labor and freight, and lower productivity were primarily responsible for the results. In 1997 and 1996, improvements in processes and in productivity, and a change in business mix contributed to the declines in both years. Total operating expenses in 1998 were $55.6 million higher than in 1997, compared with increases of $55.7 million in 1997 and $56.5 million in 1996. Acquisitions contributed to the increases in all years.

[Three bar graphs follow this text. The first is titled "Research & Development." It shows the dollars spent on research and development by the Corporation (in millions) in each of fiscal years 1994 through 1998, as follows:

94	-	$31
95	-	$34
96	-	$42
97	-	$47
98	-	$49

The second graph is titled "Operating Expenses as a Percent of Net Sales." It shows the Corporation's operating expenses as a percent of its net sales for each of fiscal years 1994 through 1998, as follows:

94	-	42.7%
95	-	41.6%
96	-	40.0%
97	-	38.9%
98	-	39.8%

The third graph is titled "Margin Analysis." It shows, side-by-side in a horizontal presentation for each fiscal year, the Corporation's net sales (in millions of dollars), gross profit margin and operating income margin for each of fiscal years 1994 through 1998, as follows:

NET SALES GROSS PROFIT MARGIN OPERATING INCOME MARGIN

94	-	$ 1,194	51.0%	13.3%
95	-	$ 1,292	51.3%	14.6%
96	-	$ 1,485	50.5%	14.8%
97	-	$ 1,672	50.5%	15.9%
98	-	$ 1,773	43.1%	1.9%]

The operating income margin declined to 1.9% in 1998 because of the lower gross margin and the higher operating expense margin. In 1997, the operating margin increased to 15.9% from 14.8% in 1996 because of a reduction in operating expenses as a percent of sales.

Segment Results: The Corporation has adopted Statement of Financial Accounting Standards ("SFAS") No. 131, "Disclosures about Segments of an Enterprise and Related Information." The following review reflects the new segment structure and does not include the allocation by reportable segment of the restructuring and other non-recurring charges. See Note 13 for additional information, including a description of the segments.

(Amounts in thousands)	1998	1997	1996
Sales			
North America Transportation	$ 845,828	$ 836,032	$ 786,609
North America Other	457,255	468,692	341,194
Europe	393,460	279,684	271,957
International	76,094	87,807	85,519
Total	$1,772,637	$1,672,215	$1,485,279
Operating income			
North America Transportation	$ 34,176	$ 70,205	$ 48,592
North America Other	70,909	98,143	84,764
Europe	3,205	16,539	11,800
International	9,775	8,759	11,101
Financial Services	65,933	71,891	64,269
Restructuring and other non-recurring charges	(149,863)	-	-
Operating income	$ 34,135	$ 265,537	$ 220,526

Net sales in North America Transportation in 1998 increased 1.2%. New products, including "soft-grip" screwdrivers, battery testers and software upgrades, and continued strength in the U.S. dealer channel offset difficult comparisons against 1997, which benefited from above-average sales of emissions-testing equipment through the channel and from an additional week in the reporting year. The difficulty in shipping tools during 1998 because of process issues related to the Corporation's computer conversion constrained sales growth. Operating income declined 51.3% because of the increased costs incurred to operate during the computer conversion. These costs included additional labor and freight, and lower productivity. In 1997, net sales in North America Transportation rose 6.3%. Several large emissions programs, improved sales productivity in the dealer organization, the introduction of new products, an additional accounting week, and price increases all contributed to the 1997 growth. Operating income increased 44.5% because of growth in sales, and improvements in expense control and productivity.

Net sales in North America Other declined 2.4% in 1998, as the Corporation experienced difficult comparisons against 1997, when a significant amount of emissions-testing equipment was sold to distributors and national accounts. In addition, sales were constrained by difficulties in shipping tools to industrial customers because of the computer conversion. Acquisitions and new products, such as a line of palm sanders, additional cordless power tools and new shop management software, offset part of the decline. Operating income decreased 27.7% in 1998. Lower total sales and the higher expense structure and increased operating complexity resulting from acquisitions in this segment affected profitability. In 1997, North America Other net sales increased 37.4%, with high levels of emissions-testing equipment sales; new products; growth in the Equipment Solutions equipment facilitation and distribution business;

acquisitions; and an additional accounting week all contributing to the growth. Operating income in 1997 increased 15.8% on higher sales. Operating income growth was lower than sales growth because of changes in the product and business mix. Sales excluding acquisitions in 1998 were approximately 4% lower, following an increase of approximately 19% in 1997.

Net sales in Europe rose 40.7% in 1998. Acquisitions were responsible for the increase. Higher tool sales were offset by lower equipment sales because of significantly reduced exports to the Asia/Pacific and Eastern Europe regions. The translation of foreign currencies into U.S. dollars negatively affected sales. Operating income declined 80.6%, as lower than expected performance by several acquisitions, changes in the business and product mix, and the short-term effects of the Corporation's restructuring activities negatively affected results. In 1997, Europe net sales rose 2.8%. Sales of both tools and equipment increased, while currency translation rates and a sluggish economy in many of the countries in the segment slowed the growth rate. Acquisitions also contributed to sales in 1997. Operating income in 1997 increased 40.2% because of strong growth in tools and the impact of expense reduction activities. Excluding acquisitions and the translation effects of foreign currency, 1998 sales rose approximately 1%, while 1997 sales increased approximately 4%.

Net sales in the International segment decreased 13.3% in 1998, following an increase of 2.7% in 1997. Sales in 1998 were negatively affected by the translation of foreign currencies into the U.S. dollar. The continuing weakness in the economies of the Asia/Pacific region slowed tools sales growth, while equipment sales declined. Operating income increased 11.6% because of the reduced allocation of shared service expenses. Excluding the allocation, operating income was approximately even with 1997. The 1997 sales advanced despite difficulties presented by many of the economies in the Asia/Pacific region. Both tool and equipment sales in the segment rose for the year. Operating income decreased 21.1% as a less favorable product mix and higher expenses in the region affected results. Excluding the effects of foreign currency translation rates, sales decreased approximately 2% in 1998 and increased approximately 11% in 1997.

The Corporation uses its financing programs to facilitate sales. In 1998, net finance income (defined as income from the Corporation's financing programs net of administrative costs, but without any allocation of interest expense) decreased 8.3% to $65.9 million, from $71.9 million in 1997. Net finance income in 1997 increased 11.9% from $64.3 million in 1996. The decrease in net finance income in 1998 was because of the increased securitization of installment receivables, which is discussed in further detail in the following paragraph. The higher net finance income in 1997 was the result of increases in extended credit receivables and benefits from programs to control related costs.

The Corporation seeks to reduce the asset intensity of its balance sheet, which is the result of its financing activities. During the second quarter of 1998, the Corporation sold $48.5 million in extended credit receivables. In 1997, the Corporation sold $25.0 million in each of the first three quarters, and $50.0 million in the fourth quarter, of its extended credit receivables. The effect of the asset securitizations is a decline in net finance income offset by an equivalent decline in interest expense. During 1998, the Corporation also sold an aggregate of $29.4 million of dealer finance receivables in the third and fourth quarters. In the fourth quarter of 1997, the Corporation sold $73.7 million of net lease receivables. In both years, the proceeds were used to pay down short-term debt and for working capital and general corporate purposes.

Subsequent to the end of 1998, the Corporation and Newcourt Financial USA Inc. ("Newcourt") formed a new joint venture entity, Snap-on Credit LLC ("the LLC"), on January 3, 1999. The LLC will be the preferred provider of financial services to the Corporation's global dealer and customer network. It combines the operations and commitments of the Corporation's captive finance program with Newcourt's expertise in providing tailored, flexible financing solutions to industry leaders. The operations were established initially in the United States and will be expanded globally later in 1999. The joint venture has an initial term of five years, with an option for the Corporation to extend it for an additional five years.

As part of the transition, the Corporation reversed the securitization of its previously securitized installment receivables and sold them to Newcourt. In addition, a new $79.2 million of on-balance-sheet installment receivables and the remaining $17.6 million of related long-term assets were eliminated. The Corporation received cash proceeds of $141.1 million from these transactions, resulting in a pre-tax gain of approximately $44 million. Newcourt has the right to put back to the Corporation the unpaid portion of the extended credit customer accounts receivable portfolio based on the same pricing formula. As a result, this gain will be recognized over a two-year period.

Participation in the LLC will enable the Corporation to expand its financial services product offerings, customer base and geographic reach. The effect of the transaction on the Corporation's financial statements includes a reduction in assets on its balance sheet and lower reported finance income, offset by income from growth in financings, from recognition of the deferred gain on the sale of receivables and from the application of the cash proceeds, and by a reduction in credit loss expense. The Corporation expects the transaction, at a minimum, to be neutral to earnings per share in 1999. On an economic basis, the Corporation expects its return on net assets and economic profit to be higher under the new structure.

During the year, the Corporation increased prices by varying degrees in many of its product groups. Promotional activities negated the effects of the 1998 increases, and reduced the revenue realization in 1997 to approximately 1%.

Other income and expenses: Interest expense for 1998 was $21.3 million, compared with $17.7 million in 1997 and $12.6 million in 1996. The 1998 and 1997 increases were due to higher average levels of debt outstanding. The decline in other expense in 1998 is attributable to a $7.5 million gain on the sale of a European manufacturing facility and lower foreign currency transaction losses. The increase in other expense in 1997 was primarily because of the deduction of minority interest income in connection with the Corporation's 50% ownership of Mitchell Repair Information Company, LLC ("MRIC") and an increase in the loss from foreign currency transactions.

(Amounts in thousands)	1998	1997	1996
Interest expense	$(21,254)	$(17,654)	$(12,649)
Interest income	1,169	1,163	2,134
Other expense	(3,210)	(10,370)	(1,358)
Total other expense	$(23,295)	$(26,861)	$(11,873)

Income taxes: The Corporation's effective tax rate in 1998, excluding restructuring and other non-recurring charges, was 36.0%, compared with 37.0% in 1997 and 1996. The decrease in the tax rate was due to the implementation of several programs that increased the Corporation's tax efficiency. The reported effective tax rate for 1998 was 144.1%. For additional information about the Corporation's tax position and activities, see Note 6.

Foreign currency: The Corporation operates in a number of countries and, as a result, is exposed to changes in exchange rates. Most of these exposures are managed on a consolidated basis to take advantage of natural offsets through netting. To the extent that the net exposures are hedged, forward contracts are used. Refer to Note 7 for a discussion of the Corporation's accounting policies for the use of derivative instruments.

In 1998, the Corporation adopted SFAS No. 130, "Reporting Comprehensive Income"; SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information"; and SFAS No. 132, "Employers' Disclosures about Pension and Other Postretirement Benefits." The adoption of these standards had no material impact on the consolidated financial statements. The Corporation intends to adopt SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," in 2000 and is currently evaluating the impact of this statement.

[Two bar graphs follow this text. The first is titled "Return on Net Assets Employed Before Interest and Taxes." It shows the percentages of the Corporation's return on net assets employed before interest and taxes for each of fiscal years 1994 through 1998, as follows:

94	-	18.7%
95	-	21.1%
96	-	24.4%
97	-	25.1%

98	-	16.5%*

* Excludes 1998 charges.

The second graph is titled "Sales per Employee." It shows the Corporation's sales per employee (in thousands of dollars) for each of fiscal years 1994 through 1998, as follows:

94	-	$129
95	-	$137
96	-	$142
97	-	$149
98	-	$153]

Financial Condition

Overview: At the end of 1998, the ratio of total debt to total capital increased to 30.8% from 16.4% at year-end 1997. The higher debt ratio in 1998 was the result of acquisitions, share repurchases and increased working capital requirements during the year.

Liquidity: The Corporation's working capital in 1998 decreased by $47.4 million following a decrease of $6.8 million in 1997. The sale of installment receivables during both 1998 and 1997 more than offset the negative effects of several other components of working capital, primarily inventories, and of acquisitions. The ratio of current assets to current liabilities was 2.4 to 1 at the end of 1998, compared with 2.9 to 1 at the end of 1997. Cash and cash equivalents were $15.0 million at the end of 1998, a decrease of $10.7 million from year-end 1997's $25.7 million.

Accounts receivable increased $15.1 million to $554.7 million at the end of 1998. The increase was the result of acquisitions partially offset by the installment receivables securitization program discussed previously and in Note 4. Exclusive of the asset securitizations effected in 1998, receivables increased by $14.2 million primarily due to acquisitions. At the end of 1998, installment receivables represented approximately 29% of the Corporation's total accounts receivable. The majority of accounts receivable at year-end 1998 included those from dealers, industrial customers and governments. Total write-offs for bad debts represented 2.1% of average accounts receivable in 1998, an increase from 2.0% in 1997, reflecting a slightly more difficult environment for credit collections. Trends, however, did improve in the second half of 1998. The Corporation's ratio remains significantly below that of the credit industry.

Inventories increased by $2.2 million to $375.4 million at the end of 1998 primarily because of acquisitions. Excluding acquisitions and including 1998 charges, inventories were $19.8 million lower at the close of 1998 than the $373.2 million reported at year-end 1997.

(Amounts in thousands)	1998	1997
Current assets	$1,079,832	$1,021,709
Current liabilities	458,053	352,530
Working capital	$ 621,779	$ 669,179
Current ratio	2.4 to 1	2.9 to 1

Short-term debt at the end of 1998 was $93.1 million, an increase over the $24.0 million at the 1997 year end. Current maturities of long-term debt at the end of 1998 and 1997 were $2.2 million and $0.4 million, respectively. In addition, at year-end 1998, the Corporation had $100.0 million in short-term commercial notes payable outstanding that were classified as long-term, since it is the Corporation's intent, and it has the ability, to refinance this debt on a long-term basis, supported by its $100.0 million revolving credit facility. The Corporation has on file a $300.0 million shelf registration that allows the Corporation to issue from time to time up to $300.0 million of unsecured indebtedness. Of this amount, $100.0 million aggregate principal amount of its notes has been issued to the public.

These sources of borrowing, coupled with cash from operations, are sufficient to support working capital requirements, finance capital expenditures, make acquisitions, repurchase common stock and pay dividends. The Corporation's high credit rating over the years has ensured that external funds are available at a reasonable cost. At the end of 1998, the Corporation's long-term debt was rated Aa3 and AA- by Moody's Investor Service and Standard & Poor's, respectively. The Corporation believes the strength of its balance sheet provides the financial flexibility to respond to both internal growth opportunities and those existing through acquisition.

[Two bar graphs follow this text. The first is titled "Total Debt to Total Capital." It shows the percentages of the Corporation's total debt to total capital for each of fiscal years 1994 through 1998, as follows:

94	-	13.5%
95	-	18.5%
96	-	17.3%
97	-	16.4%
98	-	30.8%

The second graph is titled "Capital Expenditures." It shows the Corporation's capital expenditures (in millions of dollars) for each of fiscal years 1994 through 1998, as follows:

94	-	$42
95	-	$32
96	-	$52
97	-	$55
98	-	$47]

Capital expenditures/Depreciation and amortization: Capital expenditures for 1998 were $46.8 million, a decrease of $8.6 million from the $55.4 million recorded in 1997. Investments for the year included the upgrade and integration of the Corporation's computer systems, and the normal addition, replacement and upgrade of manufacturing and distribution facilities and equipment. The Corporation anticipates that capital expenditures in 1999 will total $40 million to $45 million.

Depreciation for 1998 was $34.8 million, up $5.1 million from 1997's $29.7 million. The growth was driven by increased capital spending in 1997 and by acquisitions. Amortization expense in 1998 was $10.2 million, an increase of $1.5 million from 1997's $8.7 million. Acquisitions accounted for the higher expense.

(Amounts in thousands)	1998	1997
Capital expenditures	$46,779	$55,442
Depreciation	34,801	29,724
Amortization	10,184	8,653

Dividends: At its June 1998 meeting, the board of directors declared a 4.8% increase in the quarterly dividend on the Corporation's common stock, raising the annual dividend rate to $.88 per share. The Corporation has paid consecutive quarterly dividends since 1939.

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

N/M = not meaningful.

Stock repurchase program: At its June 1998 meeting, the board of directors authorized the repurchase of up to $100.0 million of the Corporation's common stock; this action followed the board's authorization for repurchase of $100.0 million of common stock in 1997. At the end of 1998, the 1997 authorization essentially had been exhausted, and all of the 1998 authorization remained available. In addition, an authorization by the board of directors is currently in effect to repurchase common shares of the Corporation in an amount equivalent to the number of shares issued in connection with the exercise of options, employee and dealer stock purchase programs, and other similar issuances. The intent of this authorization is to prevent dilution of shareholders' interests arising from such issuances. In 1998, the Corporation repurchased 2,279,400 shares of its common stock; 986,333 shares were repurchased in 1997. Since 1995, the Corporation has repurchased 8,077,283 shares.

Subsequent to the end of the year, at its January 1999 meeting, the board of directors authorized the repurchase of up to an additional $50.0 million of the Corporation's common stock.

Other Matters

Acquisitions: During 1998, the Corporation acquired full or partial ownership of five new business operations and an additional interest in a business for an aggregate cash purchase price of $79.5 million. Each of the acquisitions provides the Corporation with a complementary product line, new customer relationships, access to additional distribution and/or extended geographic reach. These acquisitions were 100% interests in White Industries ("White"), Hein-Werner Corporation ("Hein-Werner"), Nationwide International L.L.C. ("Nationwide"), and G.S. S.r.l. ("G.S."); a 55% interest in Cartec GmbH ("Cartec"); and an additional 10% interest in MRIC. Subsequent to the end of the year, the Corporation announced that it had exercised its call option to purchase from its venture partner, The Thomson Corporation, a further stake in MRIC. The purchase will result in Snap-on's owning 99% of MRIC. The transaction is expected to be modestly accretive in 1999.

White manufactures equipment used to recover, recycle and recharge refrigerant in vehicle air-conditioning systems. Hein-Werner is a leading manufacturer of collision repair products in North America and Europe. Nationwide is a franchisor of vehicle service and repair facilities. G.S. is an Italy-based manufacturer and distributor of wheel service equipment. Cartec is a German manufacturer of test and safety lane equipment. MRIC is a major provider of print and electronic versions of vehicle mechanical and electrical system repair information and of shop management software to repair and service establishments throughout North America.

Year 2000 Compliance: The Corporation is engaged in a comprehensive project involving its products, information systems, embedded systems and third-party systems. The objective of this project is to identify, develop, implement and test any modifications that are required so that these systems will achieve a Year 2000 date conversion with no disruption to the Corporation's business operations. A committee has been established and given the responsibility for achieving this objective.

For the Corporation's information systems, the committee has substantially completed the first two phases of this project, identification and development, and is proceeding with the implementation and testing phases of the required modifications. In North America, the implementation of the Baan enterprise-wide system, which is Year 2000 compliant, has been completed. In Europe, the Corporation has begun to upgrade or replace all mission critical systems. These projects are expected to be completed by the end of the second quarter of 1999, and no significant issues have been identified.

For third-party systems, the committee has communicated with suppliers, dealers, financial institutions and others with whom the Corporation does business, and has received responses from more than 90% of those contacted that they either are or plan on a timely basis to be Year 2000 compliant. For the Corporation's currently manufactured products, the committee has worked with most business units in the testing of their products for compliance and in most cases has found no indication that these products create date-related issues when used in customary applications. It is expected that any remaining issues will be compliant by December 1999. The committee also has been working with its third-party vendors to test and resolve issues regarding embedded systems. Based on testing completed to date, no significant issues have been identified.

The Corporation is currently conducting risk assessments of embedded systems at its facilities and manufacturing plants in North America and Europe. This assessment is more than 80% complete in North America and is 50% complete in Europe. These assessments are expected to be completed during the second quarter of 1999. No significant issues have been identified.

The Corporation has begun, but not yet completed, a comprehensive analysis of the costs and operational problems that may occur if the Corporation or third parties fail to achieve Year 2000 compliance on a timely basis. The Corporation is also in the process of establishing a contingency plan in order to deal with the most reasonably likely worst-case scenario, although such scenario has not yet been identified. The Corporation expects to have the analysis complete and a contingency plan in place by the end of the third quarter of 1999.

The Corporation expects to be fully Year 2000 compliant by the end of the fourth quarter of 1999. The Corporation has implemented, over the last five years, its enterprise-wide computer system in North America, which is already Year 2000 compliant. The costs for the remaining compliance activities, which are primarily outside North America, approximate between $5 million and $7 million through December 1999. Through the end of 1998, the Corporation has spent $1.6 million on these Year 2000 issues, with funding being provided by cash flows from operations. None of the Corporation's other information technology projects have been delayed as a result of these issues.

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

The Corporation utilizes a "Value-at-Risk" ("VAR") model to determine the potential one-day loss in the fair value of its interest rate and foreign exchange sensitive financial instruments from adverse changes in market factors. The VAR model estimates were made assuming normal market conditions and a 95% confidence level. The Corporation's computations are based on the interrelationships among movements in various currencies and interest rates (variance/co-variance technique). These interrelationships were determined by observing interest rate and foreign currency market changes over the preceding quarter.

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

The estimated maximum potential one-day loss in fair value, calculated using the VAR model, at January 2, 1999, was $833,000 on interest rate sensitive financial instruments and $626,000 on foreign currency sensitive financial instruments.

The VAR model is a risk tool and does not purport to represent actual losses in fair value that will be incurred by the Corporation, nor does it consider the potential effect of favorable changes in market factors.

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

Outlook: Subsequent to the end of 1998, the Corporation stated that it believed that the lower half of the range of published analyst estimates for diluted earnings per share for 1999, which at that date ranged from $2.60 per share to $2.95 per share, was more appropriate at that time, as the Corporation takes a more conservative approach due to the economic uncertainty in some regions of the world. The Corporation also said it currently anticipated first quarter 1999 earnings to be approximately even with last year's first quarter. The Corporation's comments about earnings exclude the effects of the remaining anticipated non-recurring charges related to its Project Simplify initiative.

"Safe Harbor": Statements in this document that are not historical facts, including statements (i) that include the words "believes," "expects," "anticipates," or "estimates" or words of similar importance with reference to the Corporation or management; (ii) specifically identified as forward-looking; or (iii) describing the Corporation's or management's future plans, objectives or goals, are forward-looking statements. The Corporation or its representatives may also make similar forward-looking statements from time to time orally or in writing. The Corporation cautions the reader that these statements are subject to risks, uncertainties and other factors that could cause (and in some cases have caused) actual results to differ materially from those described in any such statement. Some of those factors are discussed below, as well as elsewhere in this document, and in the Corporation's Securities and Exchange Commission filings. These factors may not constitute all factors that could cause actual results to differ materially from those discussed in any forward-looking statement. The Corporation's ability to meet its performance objectives and to achieve results that may be described in any forward-looking statement is dependent upon both macro-environmental factors and factors related specifically to the Corporation or the industries in which it participates. These include, but are not limited to, the following: the Corporation's ability to withstand external negative factors, including changes in trade, monetary and fiscal policies, laws and regulations, or other activities of governments or their agencies; significant changes in the current competitive environment; general economic weakness; inflation; currency exchange fluctuations or the material worsening of the economic or political situation in Asia or other parts of the world; the degree of the Corporation's success in executing its multiple brands/multiple channels strategy on a global basis and in integrating its acquisitions; the maintenance of the positive relationship between the Corporation and its franchisees that currently exists; the timing or speed with which the Corporation can implement the Project Simplify initiatives and the rollout of Snap-on Credit LLC without unanticipated complications; the continuation of good relations with the Corporation's employees; the Corporation's ability to manufacture, distribute and/or record the sale of products during any computer systems-related changes or upgrades; and the ability to grow through successful identification, negotiation and integration of new acquisitions, joint ventures or strategic alliances.

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

Consolidated Statements of Earnings

(Amounts in thousands except share data)	1998	1997	1996
Net sales	$1,772,637	$1,672,215	$1,485,279
Cost of goods sold	948,761	828,387	734,495
Cost of goods sold - discontinued products	60,562	-	-
Gross profit	763,314	843,828	750,784
Operating expenses	705,811	650,182	594,527
Operating profit	57,503	193,646	156,257
Net finance income	65,933	71,891	64,269
Restructuring and other non-recurring charges	(89,301)	-	-
Operating income	34,135	265,537	220,526
Interest expense	(21,254)	(17,654)	(12,649
Other income (expense) - net	(2,041)	(9,207)	776
Earnings before income taxes	10,840	238,676	208,653
Income taxes	15,619	88,310	77,202
Net earnings (loss)	$ (4,779)	$ 150,366	$ 131,451
Earnings (loss) per weighted average common share - basic	$ (.08)	$ 2.47	$ 2.16

Earnings (loss) per weighted average common share - diluted	$ (.08)	$ 2.44	$ 2.13
Weighted average common shares outstanding - basic	59,219,564	60,845,467	60,967,865
Common stock equivalents	-	840,841	624,947
Weighted average common shares outstanding - diluted	59,219,564	61,686,308	61,592,812

The accompanying Notes are an integral part of these statements.

Consolidated Balance Sheets

(Amounts in thousands except share data)	Jan. 2, 1999	Jan. 3, 1998
Assets		
Current assets		
Cash and cash equivalents	$ 15,041	$ 25,679
Accounts receivable, less allowance for doubtful accounts of $29.2 million in 1998 and $20.6 million in 1997	554,703	539,589
Inventories	375,436	373,155
Prepaid expenses and other assets	134,652	83,286
Total current assets	1,079,832	1,021,709
Property and equipment - net	272,030	265,765
Deferred income tax benefits	60,139	55,699
Intangible and other assets	262,919	298,184
Total assets	$1,674,920	$1,641,357
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable	$ 89,442	$ 91,553
Notes payable and current maturities of long-term debt	93,117	23,951
Accrued compensation	42,105	43,712
Dealer deposits	42,421	43,848
Deferred subscription revenue	34,793	29,265
Accrued restructuring reserves	26,165	-
Other accrued liabilities	130,010	120,201
Total current liabilities	458,053	352,530
Long-term debt	246,644	151,016
Deferred income taxes	9,587	11,824
Retiree health care benefits	89,124	86,936
Pension and other long-term liabilities	109,245	146,914
Total liabilities	912,653	749,220
Shareholders' equity		
Preferred stock - authorized 15,000,000 shares of $1 par value; none outstanding	-	-
Common stock - authorized 250,000,000 shares of $1 par value; issued 66,685,169 and 66,472,127 shares	66,685	66,472
Additional paid-in capital	117,384	82,758
Retained earnings	883,207	938,963
Accumulated other comprehensive income (loss)	(30,231)	(30,385)
Grantor stock trust at fair market value - 6,924,019 and 0 shares	(241,042)	-
Treasury stock at cost - 1,016,224 and 5,956,313 shares	(33,736)	(165,671)
Total shareholders' equity	762,267	892,137

Total liabilities and shareholders' equity	$1,674,920	$1,641,357

The accompanying Notes are an integral part of these statements.

Consolidated Statements of Shareholders' Equity and Comprehensive Income

(Amounts in thousands Except share data)	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income(Loss)	Grantor Stock Trust	Treasury Stock	Total Share-holders' Equity
Balance at December 30, 1995	$43,571	$74,250	$753,356	$(10,758)	$ -	$(109,687)	$750,732
Comprehensive income:							
Net earnings for 1996			131,451				
Foreign currency translation				(3,172)			
Total comprehensive income							128,279
Cash dividends - $.76 per share			(46,323)				(46,323)
Three-for-two stock split net of fractional shares (common 21,969,677, treasury 1,523,600)	21,971	(21,971)					-
Issuance of 20,216 shares under dividend reinvestment plan	20	760					780
Issuance of 410,661 shares under stock purchase and option plans	410	12,436					12,846
Purchase of 615,750 shares for treasury						(19,184)	(19,184)
Tax benefit from certain stock options and other items		1,031					1,031
Balance at December 28, 1996	65,972	66,506	838,484	(13,930)	-	(128,871)	828,161
Comprehensive income:							
Net earnings for 1997			150,366				
Foreign currency translation				(16,455)			
Total comprehensive income							133,911
Cash dividends - $.82 per share			(49,887)				(49,887)
Issuance of 19,764 shares under dividend reinvestment plan	20	804					824
Issuance of 480,446 shares under stock purchase and option plans	480	10,940					11,420
Purchase of 986,333 shares for treasury						(42,324)	(42,324)
Reissuance of 216,570 shares from treasury		2,380				5,524	7,904
Tax benefit from certain stock options and other items		2,128					2,128
Balance at January 3, 1998	66,472	82,758	938,963	(30,385)	-	(165,671)	892,137
Comprehensive income:							
Net loss for 1998			(4,779)				
Foreign currency translation				2,694			
Minimum pension liability				(2,540)			
Total comprehensive income (loss)							(4,625)
Cash dividends - $.86 per share			(50,977)				(50,977)
Issuance of 33,620 shares under dividend reinvestment plan	34	839					873
Issuance of 179,422 shares under stock purchase and option plans	179	6,055					6,234
Issuance of 175,981 shares from grantor stock trust under stock purchase and option plans					3,774		3,774
Purchase of 2,279,400 shares for treasury						(90,357)	(90,357)
Reissuance of 119,489 shares from treasury		336				3,683	4,019
Establishment of grantor stock trust with 7,100,000 shares		36,547			(255,156)	218,609	-
Tax benefit from certain stock options and other items		1,189					1,189
Adjustment of grantor stock trust to fair market value		(10,340)			10,340		-
Balance at January 2, 1999	$66,685	$117,384	$883,207	$(30,231)	$(241,042)	$(33,736)	$762,267

The accompanying Notes are an integral part of these statements.

Consolidated Statements of Cash Flows

Amounts in thousands)	1998	1997	1996
Operating activities			
Net earnings (loss)	$ (4,779)	$150,366	$131,451
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities:			
Depreciation	34,801	29,724	26,644
Amortization of intangibles	10,184	8,653	5,235
Deferred income tax provision	13,125	11,814	8,398
(Gain) loss on sale of assets	(7,312)	114	(876)
Charges due to restructuring and other non-recurring charges	107,628	-	-
Changes in operating assets and liabilities, net of effects of acquisitions:			
(Increase) decrease in receivables	11,789	133,171	(29,591)
(Increase) in inventories	(28,937)	(87,502)	(10,543)
(Increase) decrease in prepaid and other assets	35,775	(21,188)	(59,524)

Increase (decrease) in accounts payable	(13,400)	(16,562)	12,069
Increase (decrease) in accruals and other liabilities	(83,843)	(13,696)	53,137
Net cash provided by operating activities	75,031	194,894	136,400
Investing activities			
Capital expenditures	(46,779)	(55,442)	(52,333)
Acquisitions of businesses	(79,543)	(62,947)	(38,553)
Disposal of property and equipment	16,680	2,159	3,317
Net cash used in investing activities	(109,642)	(116,230)	(87,569)
Financing activities			
Payment of long-term debt	(3,543)	(7,802)	(9,902)
Increase in long-term debt	48,221	-	3,205
Increase in short-term borrowings - net	104,165	10,579	7,888
Purchase of treasury stock - net	(86,674)	(36,800)	(19,184)
Proceeds from stock purchase and option plans	12,405	16,752	14,656
Cash dividends paid	(50,977)	(49,888)	(46,323)
Net cash provided by (used in) financing activities	23,597	(67,159)	(49,660)
Effect of exchange rate changes on cash	376	(1,176)	(32)
Increase (decrease) in cash and cash equivalents	(10,638)	10,329	(861)
Cash and cash equivalents at beginning of year	25,679	15,350	16,211
Cash and cash equivalents at end of year	$ 15,041	$ 25,679	$ 15,350

The accompanying Notes are an integral part of these statements.

Notes to Consolidated Financial Statements

Note 1 - Summary of Accounting Policies

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

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

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

c. Principles of consolidation: The consolidated financial statements include the accounts of the Corporation and its subsidiaries, all of which are wholly owned with the exception of Mitchell Repair Information Company, LLC ("MRIC"), Edge Diagnostic Systems, Texo S.r.l., Cartech GmbH, and Snap-on Tools/PST Africa (Pty) Ltd. Significant intercompany accounts and transactions have been eliminated.

d. Accounting period: The Corporation's accounting period ends on the Saturday nearest December 31. The 1998, 1997 and 1996 years ended on January 2, 1999, January 3, 1998, and December 28, 1996. The 1998 and 1996 years contained 52 weeks; 1997 was a 53-week year.

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

f. Inventories: Inventories, consisting of manufactured products and merchandise for resale, are stated at the lower of cost or market. Manufactured products include the costs of materials, labor and manufacturing overhead. Inventories accounted for using the last-in, first-out (LIFO) method approximated 60% and 65% of total inventory as of year-end 1998 and 1997. Remaining inventories are generally determined using the first-in, first-out (FIFO) cost method. For detailed inventory information, refer to Note 2.

g. Property and equipment: Property and equipment is stated at cost less accumulated depreciation and amortization. Depreciation and amortization are provided on a straight-line basis over estimated useful lives. Accelerated depreciation methods are used for income tax purposes. Capitalized software included in property and equipment reflects costs related to internally developed or purchased software for internal use that are capitalized and amortized on a straight-line basis over periods not exceeding seven years. For detailed property and equipment information, refer to Note 3.

h. Intangibles: During 1998, the Corporation acquired full or partial ownership of five new business operations and an additional interest in a business for an aggregate cash purchase price of $79.5 million. During 1997, the Corporation acquired full or partial ownership of six new business operations with an aggregate cash purchase price of $62.9 million. Pro forma results of operations are not presented, as the effect of these acquisitions is not material. Goodwill arising from business acquisitions 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. Should an impairment be identified, the loss would be measured as the difference between the current fair value of the asset and the carrying value. For information on goodwill impairment during 1998, refer to Note 14.

In the first quarter of 1997, the Corporation acquired a 50% interest in The Thomson Corporation's Mitchell Repair Information business at a purchase price of $40.2 million. In the first quarter of 1998, the Corporation acquired an additional 10% interest in MRIC at a purchase price of $10.1 million. Subsequent to year-end 1998, the Corporation announced its exercise of its call option to purchase an additional 39% interest in MRIC, which will result in the Corporation's owning 99% of MRIC. The Corporation is obligated to purchase the remainder of MRIC within the next three years.

Goodwill, net of accumulated amortization, was $131.5 million and $121.3 million at the end of 1998 and 1997. Goodwill amortization was $8.5 million, $6.9 million and $4.8 million for 1998, 1997 and 1996. Accumulated amortization of goodwill was $27.6 million and $25.0 million at the end of 1998 and 1997.

i. Research and engineering: Research and engineering costs are charged to expense in the year incurred. For 1998, 1997 and 1996, these costs were $48.6 million, $46.5 million and $42.4 million.

j. Income taxes: Deferred income taxes are provided for temporary differences arising from differences in bases of assets and liabilities for tax and financial reporting purposes. Deferred income taxes are recorded on temporary differences at the tax rate expected to be in effect when the temporary differences reverse. For detailed tax information, refer to Note 6.

k. Foreign currency translation: The financial statements of the Corporation's foreign subsidiaries are translated into U.S. dollars in accordance with Statement of Financial Accounting Standards ("SFAS") No. 52, "Foreign Currency Translation." Net assets of certain foreign subsidiaries are translated at current rates of exchange, and income and expense items are translated at the average exchange rate for the year. The resulting translation adjustments are recorded directly into a separate component of shareholders' equity. Certain other translation adjustments and transaction gains and losses are reported in net income and were not material in any year.

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

m. Net finance income: Net finance income consists of installment contract income, dealer start-up loan receivable income, gains on the sale of receivables and lease income, net of related administrative expenses.

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

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

p. Accounting standards: In 1998, the Corporation adopted SFAS No. 130, "Reporting Comprehensive Income"; SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information"; and SFAS No. 132, "Employers' Disclosures about Pension and Other Postretirement Benefits." The adoption of these standards had no material impact on the consolidated financial statements. In 1998, the Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," which the Corporation is required to adopt no later than January 1, 2000. The Corporation is currently evaluating the impact of this statement.

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

r. Per share data: Basic earnings per share calculations were computed by dividing net earnings by the corresponding weighted average number of common shares outstanding for the period. The dilutive effect of the potential exercise of outstanding options to purchase common shares is calculated using the treasury stock method. Diluted earnings per share is the same as presented for basic earnings per share in periods where the effect is antidilutive (that is, the calculation results in increased earnings per share or reduces net loss per share). The dilutive effect of stock options as of January 2, 1999, was 576,000 shares. These shares, however, are not included in the 1998 calculations due to their antidilutive nature. In June of 1996, the board of directors approved a three-for-two split of the Corporation's common stock, which was distributed on September 10, 1996, to shareholders of record on August 20, 1996. All prior-year per share and weighted average share information has been retroactively restated.

Note 2 - Inventories

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

(Amounts in thousands)	1998	1997
Finished stock	$ 359,358	$366,324
Work in process	38,357	42,384
Raw materials	74,192	66,008
Excess of current cost over LIFO cost	(96,471)	(101,561)
Total inventory	$ 375,436	$373,155

Note 3 - Property and Equipment

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

(Amounts in thousands)	1998	1997
Land	$ 19,572	$ 23,980
Buildings and improvements	175,385	163,596
Machinery and equipment	388,862	341,875
	583,819	529,451
Less: accumulated depreciation	(311,789)	(263,686)
Property and equipment - net	$ 272,030	$ 265,765

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

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

Note 4 - Receivables

Accounts receivable include installment receivable amounts that are due beyond one year from balance sheet dates. These amounts were approximately $16.5 million and $15.6 million at the end of 1998 and 1997. Gross installment receivables amounted to $176.9 million and $174.0 million at the end of 1998 and 1997. Of these amounts, $16.8 million and $14.6 million represented unearned finance charges at the end of 1998 and 1997.

In 1997, the Corporation created CreditCorp SPC, LLC ("CreditCorp"), a bankruptcy-remote, special-purpose entity, the sole purpose of which is to sell to various financial institutions dealer loan receivables, extended credit customer accounts receivable and equipment lease receivables. These receivables are secured by the underlying inventory, tools or equipment financed. CreditCorp is a separate corporate entity with its own separate creditors that will be entitled to be satisfied out of its assets prior to the distribution of any value to its shareholders.

CreditCorp has an agreement with a third-party financial institution to sell, on an ongoing basis and with full recourse to the Corporation, up to $70.0 million of secured dealer loan receivables in the United States and up to Cdn$10.0 million of secured dealer loan receivables in Canada. These receivables are created through the financing of franchised dealer operations.

During 1998 and 1997, the Corporation sold the U.S. equivalent of $29.4 million and $31.5 million of these receivables to the third-party financial institution. During December 1998, the U.S. dealer finance loan receivables outstanding of $68.3 million were repurchased from the third-party financial institution and, along with other dealer finance receivables, were sold to Newcourt Financial USA Inc. ("Newcourt").

CreditCorp has also entered into a facility that provides for the sale, with limited recourse, of an undivided interest in a pool of secured extended credit customer accounts receivable to a third-party financial institution. At the end of 1998 and 1997, $337.0 million and $300.0 million of interest-bearing installment receivables were sold under this facility on a revolving basis. The agreement for revolving purchases terminates in January 1999.

In December 1997, CreditCorp sold, with limited recourse, $73.7 million of equipment lease receivables to a third-party financial institution. At the end of 1998, $35.8 million of equipment lease receivables remained outstanding.

Generally, the recourse provisions for the above securitizations as they existed at year end require the Corporation to provide for the deficiency, if any, that results from the repossession and subsequent sale of collateral in a default situation. The Corporation maintains credit reserves pursuant to these recourse provisions that are based on the Corporation's best estimates of probable losses under such provisions. The reserves were not material as of January 2, 1999, and January 3, 1998. The Corporation does not receive collateral from any party to the securitizations, nor does it have any risk of counterparty non-performance.

In December 1996, the Corporation made the determination to sell equipment lease receivable originations to a third-party financial institution on an ongoing basis. During 1998 and 1997, the Corporation sold, with no recourse, $54.1 million and $50.9 million of these lease receivables. The Corporation also sold lease receivables with limited recourse of $27.6 million and $13.0 million in 1998 and 1997.

All transactions are reflected as sales of accounts receivable in the accompanying Consolidated Balance Sheets and as increases to operating cash flows in the accompanying Consolidated Statements of Cash Flows. The gains on these sales are included in net finance income on the accompanying Consolidated Statements of Earnings.

Subsequent to year end, CreditCorp repurchased and then sold to Newcourt the entire pool of $337.0 million of interest-bearing installment receivables and the outstanding $35.8 million of equipment lease receivables. In addition, subsequent to year end, CreditCorp sold to Newcourt certain equipment lease receivables and dealer loan receivables that were held by the Corporation at year end. For more information, see Note 15.

Note 5 - Short-term and Long-term Debt

Notes payable to banks under bank lines of credit totaled $34.9 million and $23.6 million at the end of 1998 and 1997.

Commercial notes payable totaled $156.0 million and $51.0 million at the end of 1998 and 1997. The first $100.0 million of commercial paper outstanding is classified as long-term debt, since it is the Corporation's intent and it has the ability (supported by a $100.0 million long-term revolving credit facility) to refinance the debt on a long-term basis. Commercial paper outstanding in excess of $100.0 million is considered short-term debt, as it is supported by a $75.0 million short-term revolving credit facility.

For both the long-term and short-term revolving credit facilities, the Corporation must maintain a specific level of consolidated tangible net worth and meet certain leverage and subsidiary indebtedness ratios. In addition, certain capital transactions are restricted. At the end of 1998, the Corporation was in compliance with all covenants of both commitments. The long-term commitment terminates on September 5, 2002, and the short-term commitment terminates on March 22, 1999. At the end of 1998 and 1997, there were no borrowings under either revolving credit commitment.

Maximum short-term debt outstanding at the end of any month was $237.5 million in 1998 and $177.4 million in 1997. The average short-term debt outstanding was $165.2 million in 1998 and $117.6 million in 1997. The weighted average interest rates on short-term debt were 5.6% in 1998 and 5.5% in 1997. The weighted average interest rates on long-term and short-term debt outstanding at January 2, 1999, and January 3, 1998, were 6.4% and 6.3%.

The Corporation's long-term debt consisted of the following:

(Amounts in thousands)	1998	1997
Senior unsecured indebtedness	$100,000	$100,000
Borrowings supported by a revolving credit commitment	100,000	51,000
Canadian long-term debt	39,210	-
Other long-term debt	9,679	368
	248,889	151,368
Less: current maturities	(2,245)	(352)
Total long-term debt	$246,644	$151,016

The annual maturities of the Corporation's long-term debt due in the next five years are $2.2 million in 1999, $2.2 million in 2000, $1.5 million in 2001, $102.1 million in 2002, and $39.5 million in 2003.

In September 1994, the Corporation filed a registration statement with the Securities and Exchange Commission that allows the Corporation to issue from time to time up to $300.0 million of unsecured indebtedness. In October 1995, the Corporation issued $100.0 million of its notes to the public. The notes require payment of interest on a semiannual basis at a rate of 6.625% and mature in their entirety on October 1, 2005. The proceeds of this issuance were used to repay a portion of the Corporation's outstanding commercial paper and for working capital and general corporate purposes.

At the end of 1998, the Corporation has a Cdn$60.0 million (equivalent of U.S. $39.2 million) five-year floating rate loan outstanding. The loan requires payment of interest quarterly based on the Canadian Bankers Acceptance Rate plus 17.5 basis points. The loan matures in its entirety on June 5, 2003.

Interest payments on debt and on other interest-bearing obligations approximated $20.9 million, $17.5 million and $13.2 million for 1998, 1997 and 1996.

Note 6 - Income Taxes

Earnings before income taxes consisted of the following:

(Amounts in thousands)	1998	1997	1996
U.S.	$(12,128)	$210,966	$172,553
Foreign	22,968	27,710	36,100
Total	$ 10,840	$238,676	$208,653

The provision for income taxes consisted of the following:

(Amounts in thousands)	1998	1997	1996
Current:			
Federal	$31,516	$60,551	$55,949
Foreign	8,078	7,555	13,803

State	3,701	8,390	8,997
Total current	43,295	76,496	78,749
Deferred:			
Federal	(25,067)	8,493	(615)
Foreign	769	1,865	(428)
State	(3,378)	1,456	(504)
Total deferred	(27,676)	11,814	(1,547)
Total income tax provision	$15,619	$88,310	$77,202

A reconciliation of the Corporation's effective income tax rate to the statutory federal tax rate follows:

	1998	1997	1996
Statutory federal income tax rate	35.0%	35.0%	35.0%
Increase (decrease) in tax rate resulting from:			
State income taxes, net of federal benefit	3.0	2.8	2.4
Foreign sales corporation tax benefit	(1.7)	(1.2)	(1.5)
Restructuring and other non-recurring charges	108.1	-	-
Other	(0.3)	0.4	1.1
Effective tax rate	144.1%	37.0%	37.0%

Temporary differences that give rise to the net deferred tax benefit are as follows:

(Amounts in thousands)	1998	1997	1996
Current deferred income tax benefits:			
Inventories	$21,309	$18,294	$14,599
Accruals and reserves not currently deductible	24,702	26,820	36,372
Restructuring and other non-recurring accruals	23,379	-	-
Other	(2,551)	(491)	56
Total current (included in prepaid expenses)	66,839	44,623	51,027
Long-term deferred income tax benefits:			
Employee benefits	61,870	61,017	57,299
Net operating losses	38,300	23,277	23,585
Depreciation	(21,721)	(22,363)	(13,409)
Restructuring and other non-recurring accruals	2,638	-	-
Other	(1,163)	(3,398)	(6,528)
Valuation allowance	(29,372)	(14,658)	(12,561)
Total long-term	50,552	43,875	48,386
Net deferred income tax benefit	$117,391	$ 88,498	$ 99,413

At January 2, 1999, the Corporation had tax net operating loss carryforwards ("NOLs") totaling $103.6 million as follows:

(Amounts in millions)	U.S.	Foreign	Total
Year of expiration:			
1999 - 2002	$ -	$ 8.7	$ 8.7
2003 - 2006	33.2	5.3	38.5
2007 - 2011	4.9	1.8	6.7
Indefinite	-	49.7	49.7
	$ 38.1	$ 65.5	$ 103.6

In accordance with current accounting standards, a valuation allowance totaling $29.4 million, $14.7 million and $12.6 million in 1998, 1997 and 1996 has been established for deferred income tax benefits related to certain subsidiary loss carryforwards that may not be realized. Included in this valuation allowance is $6.7 million that relates to the deferred tax assets recorded from acquisitions. Any tax benefits subsequently recognized for these deferred tax assets will be allocated to goodwill.

Realization of the net deferred tax assets is dependent on generating sufficient taxable income prior to their expiration. Although realization is not assured, management believes it is more likely than not that the net deferred tax asset will be realized. The amount of the net deferred tax asset considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carryforward period are reduced.

The undistributed earnings of all subsidiaries were $121.7 million, $117.0 million and $120.3 million at the end of 1998, 1997 and 1996. 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.

The Corporation made income tax payments of $66.2 million, $76.0 million and $69.7 million in 1998, 1997 and 1996.

Note 7 - Financial Instruments

The Corporation uses derivative instruments to manage well-defined interest rate and foreign currency exposures. The Corporation does not use derivative instruments for trading purposes. The criteria used to determine if hedge accounting treatment is appropriate are (i) the designation of the hedge to an underlying exposure, (ii) whether or not overall risk is being reduced and (iii) if there is a correlation between the value of the derivative instrument and the underlying obligation.

Foreign Currency Derivative Instruments: The Corporation has operations in a number of countries and has intercompany transactions among them, and, as a result, is exposed to changes in foreign currency exchange rates. The Corporation manages most of these exposures on a consolidated basis, which allows netting certain exposures to take advantage of any natural offsets. To the extent the net exposures are hedged, forward contracts are used. Gains and/or losses on these foreign currency hedges are included in income in the period in which the exchange rates change. Gains and/or losses have not been material to the consolidated financial statements.

At January 2, 1999, the Corporation had outstanding foreign exchange forward contracts in Australian dollars, British pounds, Canadian dollars, Dutch guilders, French francs, German marks, Irish punts, Italian lira, Singapore dollars and Spanish pesetas totaling $113.9 million. At January 3, 1998, the Corporation had outstanding foreign exchange forward contracts totaling $79.8 million.

Interest Rate Swap Agreements: The Corporation enters into interest rate swap agreements to manage interest costs and risks associated with changing interest rates. The differentials paid or received on interest rate agreements are accrued and recognized as adjustments to interest expense. Gains and losses realized upon settlement of these agreements are deferred and amortized to interest expense over a period relevant to the agreement if the underlying hedged instrument remains outstanding, or immediately if the underlying hedged instrument is settled.

The Corporation has interest rate swap agreements in place to pay fixed interest rates in exchange for floating interest rate payments. At January 2, 1999, and January 3, 1998, the notional principal amount outstanding of these agreements was $167.0 million and $32.1 million.

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

While the Corporation sells primarily to professional technicians and shop owners, the Corporation's accounts receivable do not represent significant concentrations of credit risk because of the diversified portfolio of individual customers and geographic areas.

Fair Value of Financial Instruments: Statement of Financial Accounting Standards No. 107, "Disclosure about Fair Value of Financial Instruments," requires the Corporation to disclose the fair value of financial instruments for both on- and off-balance sheet assets and liabilities for which it is practicable to estimate that value. The following methods and assumptions were used in estimating the fair value for financial instruments:

Installment contracts: A discounted cash flow analysis was performed over the average life of a contract using a discount rate currently available to the Corporation adjusted for credit quality, cost and profit factors. As of January 2, 1999, and January 3, 1998, the fair value was approximately $168.9 million and $168.2 million versus a book value of $159.6 million and $159.4 million.

Interest rate swap agreements: The fair value of the agreements was based on a quote from the financial institution with which the Corporation executed the transactions. As of January 2, 1999, and January 3, 1998, the cost to terminate the agreements was $6.1 million and $1.0 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 8 - Pension Plans

The Corporation has several non-contributory pension plans covering most employees, including certain employees in foreign countries, as well as a contributory plan covering certain salaried employees in Canada. Retirement benefits are generally provided based on employees' years of service and average earnings or stated amounts for years of service. Normal retirement age is 65, with provisions for earlier retirement. The Corporation recognizes retirement plan expenses in accordance with Statement of Financial Accounting Standards No. 87, "Employers' Accounting for Pensions," and contributes amounts to the plans, with most using the actuarially computed entry age normal cost method, which includes, in certain defined retirement benefit plans, amortization of past service cost over a maximum of 30 years.

The status of the Corporation's North American pension plans was as follows:

(Amounts in thousands)	1998	1997
Change in projected benefit obligation		
Benefit obligation at beginning of year	$ 405,666	$364,353
Service cost	15,865	14,630
Interest cost	29,653	28,047
Plan amendments	1,159	216
Benefits paid	(19,264)	(16,570)
Plan participant contributions	461	437
Curtailment gain	(2,731)	-
Actuarial loss	61,267	14,553
Benefit obligation at end of year	492,076	405,666
Change in plan assets		
Fair value of plan assets at beginning of year	467,835	395,997
Actual return on plan assets	48,212	84,155
Contributions by employer	6,718	3,816
Contributions by plan participants	461	437
Benefits paid	(19,264)	(16,570)

Fair value of plan assets at end of year	503,962	467,835
Funded status	11,886	62,169
Unrecognized net assets at year-end	(4,757)	(6,697)
Unrecognized net gain from experience different than assumed	(76,530)	(123,881)
Unrecognized prior service cost	9,272	9,173
Net amount recognized	$(60,129)	$(59,236)

(Amounts in thousands)	1998	1997
Amounts recognized in the statement of financial position consist of:		
Prepaid benefit cost	$ 16,383	$ 10,491
Accrued benefit liability	(79,532)	(70,280)
Intangible asset	480	553
Additional minimum liability	2,540	-
Net amount recognized	$ (60,129)	$(59,236)

The Corporation's net pension expense included the following components:

(Amounts in thousands)	1998	1997	1996
Service cost - benefits earned during year	$15,865	$14,630	$13,191
Interest cost on projected benefits	29,653	28,047	25,657
Less: actual return on plan assets	(39,551)	(76,768)	(40,788)
Curtailment gain	(2,731)	-	-
Net amortization and deferral:			
Actual return on plan assets in excess of projected return	5,532	46,641	14,226
Amortization of net assets at transition	(1,268)	(1,193)	(1,084)
Other	1,096	1,170	865
Net pension expense	$ 8,596	$12,527	$12,067

Related to the Corporation's restructuring initiatives, the Corporation's actuaries have estimated future pension curtailment gains to be $10 million. The Corporation will recognize these gains as the initiatives are completed.

The assumptions used in determining pension costs and the projected benefit obligation were:

	1998		1997	
	U.S.	Canada	U.S.	Canada
Discount rate	7.0%	8.5%	7.5%	8.5%
Expected long-term rate of return on plan assets	9.0%	8.5%	9.0%	8.5%
Expected rate of increase in future compensation levels	5.0%	7.0%	5.0%	7.0%

Plan assets are stated at market value and primarily consist of corporate equities and various debt securities.

The pension liability for 1998 consists of a current liability of $4.5 million and a long-term liability of $55.6 million. The long-term liability represents pension obligations that are not expected to be funded during the next 12 months.

The Corporation has pension plans in which the projected benefit obligation exceeds the fair value of plan assets. At the end of 1998, the Corporation had three such plans with an aggregate projected benefit obligation of $49.4 million and an aggregate fair value of plan assets of $32.0 million. At the end of 1997, the Corporation had two such plans with an aggregate projected benefit obligation of $13.6 million and no plan assets.

Note 9 - Retiree Health Care

The Corporation provides certain health care benefits for most retired U.S. employees. The majority of the Corporation's U.S. employees become eligible for those benefits if they reach early retirement age while working for the Corporation; however, the age and service requirements for eligibility under the plans have been increased for certain employees hired on and after specified dates since 1992. Generally, most plans pay stated percentages of

covered expenses after a deductible is met. There are several plan designs, with more recent retirees being covered under a comprehensive major medical plan. In determining benefits, the plans take into consideration payments by Medicare and other coverages.

For employees retiring under the comprehensive major medical plans, contributions are required, and these plans contain provisions allowing for benefit and coverage changes. The plans require retirees to contribute either the full cost of the coverage or amounts estimated to exceed a capped per retiree annual cost commitment by the Corporation. Most employees hired since 1994 are required to pay the full cost. The Corporation does not fund the retiree health care plans.

The Corporation recognizes postretirement health care expense in accordance with Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other than Pensions."

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

(Amounts in thousands)	1998	1997	1996
Net periodic cost			
Service cost - benefits attributed to service during the period	$ 1,966	$ 1,945	$ 2,012
Interest cost on accumulated postretirement benefit obligation	5,494	5,467	5,273
Curtailment gain	(403)	-	-
Amortization of unrecognized net gain	(572)	(527)	(487)
Net postretirement health care expense	$ 6,485	$ 6,885	$ 6,798

The status of the Corporation's U.S. postretirement plans was as follows:

(Amounts in thousands)	1998	1997
Change in benefit obligation		
Benefit obligation at beginning of year	$ 77,780	$ 73,015
Service cost	1,966	1,945
Interest cost	5,494	5,467
Plan participants' contributions	656	543
Benefits paid	(4,378)	(4,690)
Curtailment gain	(403)	-
Actuarial loss	2,436	1,500
Benefit obligation at end of year	83,551	77,780
Change in plan assets		
Fair value of plan assets at beginning of year	-	-
Plan participants' contributions	656	543
Contributions by employer	3,722	4,147
Benefits paid	(4,378)	(4,690)

Fair value of plan assets at end of year	-	-
Funded status	(83,551)	(77,780)
Unrecognized actuarial gain	(10,032)	(13,040)
Postretirement liability	$ (93,583)	$ (90,820)

The accumulated postretirement benefit obligation at the end of 1998 consists of a current liability of $4.5 million and a long-term liability of $89.1 million. The weighted average discount rate used in determining the accumulated postretirement benefit obligation was 7.0% at the end of 1998 and 7.5% at the end of 1997.

The actuarial calculation assumes a health care trend rate of 7.5% in 1998 for benefits paid on pre-Medicare retirees, decreasing gradually to 4.0% in the year 2007 and thereafter. For benefits paid on Medicare-eligible retirees, a health care trend rate of 7.3% was assumed in 1998, decreasing to 4.0% in the year 2007 and thereafter.

As of January 2, 1999, a one percentage point increase or decrease in the health care cost trend rate for future years would not materially affect the accumulated postretirement benefit obligation or the service cost and interest cost components.

Related to the Corporation's restructuring initiatives, the Corporation's actuaries have estimated future postretirement curtailment gains to be $2 million. The Corporation will recognize these gains as the initiatives are completed.

Note 10 - Stock Option and Purchase Plans

On June 28, 1996, the board of directors approved a three-for-two stock split of the Corporation's common stock. Distribution of shares in connection with the stock split was made on September 10, 1996. All share-related amounts in these financial statements reflect that split.

The Corporation has a stock option plan for directors, officers and key employees, with expiration dates on the options ranging from 1999 to 2008. The plan provides that options be granted at exercise prices equal to market value on the date the option is granted.

The Corporation offers shareholders a convenient way to increase their investment in the Corporation through a no-commission dividend reinvestment and stock purchase plan. Participating shareholders may invest the cash dividends from all or a portion of their common stock to buy additional shares. The program also permits new investors and current shareholders to invest cash for additional shares that are purchased for them each month. For 1998, 1997 and 1996, shares issued under the dividend reinvestment and stock purchase plan totaled 33,620, 19,764 and 24,283. At January 2, 1999, 1,945,470 shares were available for purchase under this plan.

Employees of the Corporation are eligible to participate in an employee stock ownership plan. The purchase price of the common stock is the lesser of the mean of the high and low price of the stock on the beginning date (May 15) or ending date (May 14) of each plan year. The board of directors may terminate this plan at any time. For 1998, 1997 and 1996, shares issued under the employee stock ownership plan totaled 81,114, 120,978 and 131,432. At January 2, 1999, shares totaling 709,491 were reserved for issuance to employees under this plan, and the Corporation held contributions of approximately $1.5 million for the purchase of common stock.

Franchised dealers are eligible to participate in a dealer stock ownership plan. The purchase price of the common stock is the lesser of the mean of the high and low price of the stock on the beginning date (May 15) or ending date (May 14) of each plan year. The board of directors may terminate this plan at any time. For 1998, 1997 and 1996, shares issued under the dealer stock ownership plan totaled 117,825, 133,679 and 117,902. At January 2, 1999, 513,159 shares were reserved for issuance to franchised dealers under this plan, and the Corporation held contributions of approximately $1.9 million for the purchase of common stock.

Non-employee directors receive a mandatory minimum of 50% and an elective maximum of up to 100% of their fees and retainer in shares of the Corporation's stock. Directors may elect to defer receipt of all or part of these shares. For 1998, 1997 and 1996, shares issued under the Directors' Fee Plan totaled 5,060, 3,008 and 3,140. Additionally, receipt of 3,951, 3,226 and 6,327 shares was deferred in 1998, 1997 and 1996. At January 2, 1999, 259,085 shares were reserved for issuance to directors under this plan.

The Corporation adopted Statement of Financial Accounting Standards ("SFAS") No. 123, "Accounting for Stock-Based Compensation," effective January 1996. As permitted, the Corporation continued its current method of accounting for stock-based compensation plans in accordance with Accounting Principles Board Opinion No. 25.

In accordance with SFAS No. 123, the fair value of each option grant was estimated as of the date of grant using an option pricing model. The Corporation used the following weighted average assumptions, under the Black-Scholes option pricing model, for options granted in 1998, 1997 and 1996, respectively: expected volatility of 21.2%, 17.9% and 21.6%; risk-free interest rates of 5.5%, 6.4% and 5.7%; dividend yield of 2.5%, 2.8% and 3.1%; and expected option lives of 5.8 years, 5.8 years and 6.9 years. If the Corporation had elected to recognize compensation cost for stock-based compensation consistent with the methodology prescribed by SFAS No. 123, net earnings and net earnings per share for 1998, 1997 and 1996, would have changed to the following pro forma amounts:

(Amounts in thousands except per share data)	1998	1997	1996
Net earnings (loss):			
As reported	$(4,779)	$150,366	$131,451
Pro forma	(7,896)	148,354	130,595
Earnings (loss) per share - diluted:			
As reported	$ (.08)	$ 2.44	$ 2.13
Pro forma	(.13)	2.41	2.12

Stock option activity was as follows:

	1998		1997		1996	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Outstanding at beginning of period	2,114,228	$25.37	2,007,423	$21.90	2,498,742	$21.54
Granted	585,950	39.77	480,125	37.13	72,000	30.52
Exercised	(280,020)	21.84	(364,802)	21.64	(370,146)	20.78
Canceled	(22,022)	34.74	(8,518)	31.24	(193,173)	22.56
Outstanding at end of period	2,398,136	$29.21	2,114,228	$25.37	2,007,423	$21.90
Exercisable at end of period	1,641,296	$24.71	1,663,253	$22.18	1,792,859	$21.88
Available for grant at end of period	2,507,818		3,071,746		3,543,353	

As calculated using the Black-Scholes option pricing model, the weighted average fair value of options granted during the years ended January 2, 1999, January 3, 1998, and December 28, 1996, were $8.92, $7.86 and $6.99. The following table summarizes information about stock options outstanding as of January 2, 1999:

	1998 Options Outstanding			1998 Options Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$19 to $25	1,274,222	4.1	$ 21.48	1,274,222	$ 21.48
$25 to $31	60,789	6.5	29.47	60,789	29.47
$31 to $38	495,675	8.0	36.79	282,285	36.65
$38 to $46	567,450	9.0	39.94	24,000	43.69
Totals	2,398,136	6.2	$ 29.21	1,641,296	$ 24.71

Note 11 - Capital Stock

In 1996, the Corporation's board of directors approved an ongoing authorization to repurchase stock in an amount equivalent to that necessary to prevent dilution created by shares issued for stock options, employee and dealer stock purchase plans, and other corporate purposes. On June 27, 1997, the Corporation's board of directors authorized the repurchase of $100.0 million of the Corporation's common stock over a two-year period. On June 26, 1998, the Corporation's board of directors authorized an additional share repurchase program aggregating $100.0 million of the Corporation's common stock. In 1998, the Corporation repurchased 2,279,400 shares of its common stock at an average price of $39.64. In 1997, the Corporation repurchased 986,333 shares of its common stock at an average price of $42.91. Subsequent to year-end 1998, the Corporation's board of directors authorized an additional share repurchase program of $50.0 million.

The board of directors declared on August 22, 1997, a dividend distribution of one preferred stock purchase right for each share of the Corporation's outstanding common stock. The rights are exercisable only if a person or group acquires 15% or more of the Corporation's common stock ("Acquiring Person") or publicly announces a tender offer to become an Acquiring Person. Each right may then be exercised to purchase one one-hundred-and- fiftieth of a share of Series A Junior Preferred Stock for $190, but if a person or group becomes an Acquiring Person, then each right entitles the holder (other than an Acquiring Person) to acquire common stock of the Corporation having a market value equivalent to two times the current purchase price. If the Corporation is acquired in a merger or other business combination not approved by the board of directors, then each holder of a right will be entitled to purchase common stock of the surviving company having a market value equivalent to two times the current purchase price. The effect of the rights is to cause ownership dilution to a person or group attempting to acquire the Corporation without approval of the Corporation's board of directors. The rights expire on November 3, 2007, and may be redeemed by the Corporation at a price of $.01 per right under certain circumstances.

At the end of the second quarter of 1998, the Corporation created a Grantor Stock Trust ("GST"). In conjunction with the formation of the GST, the Corporation sold 7.1 million shares of treasury stock to the GST. The sale of these shares had no net impact on shareholders' equity or on the Corporation's Consolidated Statements of Earnings. The GST is a funding mechanism for certain benefit programs and compensation arrangements, including the incentive stock program and employee and franchised dealer stock purchase plans. The Northern Trust Company, as trustee of the GST, will vote the common stock held by the GST based on the directions of non-director employees holding vested options and certain employees and dealer participants in those stock purchase plans, as set forth in the GST agreement. The GST is recorded as Grantor Stock Trust at Fair Market Value on the accompanying Consolidated Balance Sheets. Shares owned by the GST are accounted for as a reduction to shareholders' equity until used in connection with employee benefits. Each period, the shares owned by the GST are valued at the closing market price, with corresponding changes in the GST balance reflected in additional paid-in capital.

Note 12 - Commitments and Contingencies

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

The Corporation's lease commitments require future payments as follows:

Year Ending	(Amounts in thousands)
1999	$24,331
2000	17,304
2001	10,425
2002	5,316
2003	4,252
2004 and thereafter	2,875

Rent expenses for worldwide facilities and computer equipment were $22.7 million, $18.6 million and $18.0 million in 1998, 1997 and 1996.

Tejas Testing Technology One, L.C. and Tejas Testing Technology Two, L.C. (the "Tejas Companies"), former subsidiaries of the Corporation, previously entered into contracts with the Texas Natural Resources Conservation Commission ("TNRCC"), an agency of the State of Texas, to perform automotive emissions testing services. The Corporation guaranteed payment (the "Guaranty") of the Tejas Companies' obligations under a seven-year lease agreement in the amount of approximately $98.8 million plus an interest factor, pursuant to which the Tejas Companies leased the facilities necessary to perform the contracts. The Guaranty was assigned to the lessor's lenders. The Tejas Companies agreed to indemnify the Corporation for any payments it must make under the Guaranty.

The State of Texas subsequently terminated the emissions program described in the contracts. The Tejas Companies filed for bankruptcy and commenced litigation in state and federal court against the TNRCC and related entities. The Corporation has recorded as assets the net amounts paid under the Guaranty, which are expected to be received from the State of Texas pursuant to a settlement agreement approved by the U.S. Bankruptcy Court. Under this settlement agreement, the obligation under the Guaranty previously recorded as a contingent liability in the amount of $38.5 million was satisfied, leaving an expected receivable of $55.2 million. In 1998, the Corporation received $18.2 million, leaving a net receivable balance of $37.0 million as of January 2, 1999. This amount is included in Intangible

and Other Assets on the accompanying Consolidated Balance Sheets. The Corporation expects to receive further payments in an amount sufficient to satisfy the balance of the net receivable by August 31, 2001, which payments are subject to legislative appropriation. The Corporation believes that ultimate recovery of the net receivable is probable.

In April 1996, the Corporation filed a complaint against SPX Corporation alleging infringement of the Corporation's patents and asserting claims relating to SPX's hiring of the former president of Sun Electric. SPX filed a counterclaim, alleging infringe- ment of certain SPX patents. Upon the Corporation's request for reexamination, the U.S. Patent and Trademark Office initially rejected SPX's patents as invalid, but recently reconfirmed them. Document and deposition discovery is proceeding. The Court has set a trial date of April 5, 1999, for the non-patent claims. No trial date has yet been set for the patent claims. The Corporation believes it has numerous meritorious defenses to SPX's claims, including defenses of patent invalidity and non-infringement, and intends to vigorously prosecute the claims it has raised. Neither the complaint nor the counterclaim contains specific allegations of damages; however, the parties' claims could involve multiple millions of dollars. It is not possible at this time to assess the outcome of any of the claims.

The Corporation is involved in various legal matters, which are being defended and handled in the ordinary course of business. Although it is not possible to predict the outcome of these matters, management believes that the results will not have a material impact on the Corporation's financial statements.

Note 13 - Segments

In 1998, the Corporation adopted Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information," which changes the way the Corporation reports information about its operating segments. The information for 1997 and 1996 has been restated from the prior years' presentation in order to conform to the 1998 presentation.

The Corporation's segments are based on the organization structure that is used by management for making operating and investment decisions and for assessing performance. Based on this management approach, the Corporation has five reportable segments: North America Transportation, North America Other, Europe, International and Financial Services. The North America Transportation segment consists of the Corporation's business operations serving the franchised dealer channel in the United States and Canada. The North America Other segment consists of the Corporation's business operations serving the direct sales and distributor channels in the United States and Canada, as well as the Corporation's exports from the United States. The Europe segment consists of the Corporation's operations in Europe and Africa. The International segment consists of the Corporation's operations in the Asia/Pacific region and Latin America. These four segments derive revenues primarily from the sale of tools and equipment. The Financial Services segment provides financing to technicians and shop owners, as well as to dealers.

The accounting policies of the reportable segments are the same as those described in Note 1. The Corporation evaluates the performance of its operating segments based on operating income. The Corporation accounts for intersegment sales and transfers based on established sales prices between the segments, which represent cost plus an intercompany markup. The Corporation allocates shared service expenses to those segments that utilize the services based on their percentages of revenues from external sources. The Corporation has charged license fees to its North America segments based on their percentages of certain North America sales. Corporate expenses related to restructuring and other non-recurring charges are not allocated to the reportable segments.

Neither the Corporation nor any of its segments depends on any single customer, small group of customers or government for more than 10% of its sales.

Financial data by segment is as follows:

(Amounts in thousands)	1998	1997	1996
Revenues from external customers			
North America Transportation	$ 845,828	$ 836,032	$ 786,609
North America Other	457,255	468,692	341,194
Europe	393,460	279,684	271,957
International	76,094	87,807	85,519
Total from reportable segments	$1,772,637	$1,672,215	$1,485,279

(Amounts in thousands)	1998	1997	1996
Intersegment revenues			
North America Transportation	$ 11	$ 71	$ 6
North America Other	285,157	317,962	221,625
Europe	8,932	3,539	764
International	37,280	27,937	25,812
Total from reportable segments	331,380	349,509	248,207
Elimination of intersegment revenue	(331,380)	(349,509)	(248,207)
Total consolidated intersegment revenue	$ -	$ -	$ -

(Amounts in thousands)	1998	1997	1996
Operating income			
North America Transportation	$ 34,176	$ 70,205	$ 48,592
North America Other	70,909	98,143	84,764
Europe	3,205	16,539	11,800
International	9,775	8,759	11,101
Financial Services	65,933	71,891	64,269
Total from reportable segments	183,998	265,537	220,526
Corporate restructuring and other non-recurring charge	(149,863)	-	-
Consolidated operating income	34,135	265,537	220,526
Interest expense	(21,254)	(17,654)	(12,649)
Other income (expense) - net	(2,041)	(9,207)	776
Total consolidated earnings before taxes	$ 10,840	$ 238,676	$ 208,653

(Amounts in thousands)	1998	1997	1996
Total assets			
North America Transportation	$ 517,334	$ 523,342	$ 436,101
North America Other	565,174	618,813	395,742
Europe	406,257	288,899	213,912
International	37,012	39,012	39,293
Financial Services	231,092	254,903	420,931
Total from reportable segments	1,756,869	1,724,969	1,505,979
Elimination of intersegment receivables	(145,065)	(168,910)	(121,112)
Unallocated corporate assets	63,116	85,298	135,921
Total consolidated net assets	$1,674,920	$1,641,357	$1,520,788

(Amounts in thousands)	1998	1997	1996
Depreciation and amortization			
North America Transportation	$ 16,530	$ 11,824	$ 12,864
North America Other	18,161	18,884	11,781
Europe	8,453	5,391	5,609
International	1,314	1,973	1,434
Financial Services	527	305	191
Total from reportable segments	$ 44,985	$ 38,377	$ 31,879

(Amounts in thousands)	1998	1997	1996
Capital expenditures			
North America Transportation	$ 7,155	$ 6,643	$ 5,704
North America Other	14,193	25,202	3,361
Europe	6,398	9,058	11,741
International	1,841	1,929	831
Financial Services	1,229	2,113	3
Total from reportable segments	30,816	44,945	21,640
Unallocated corporate capital expenditures	15,963	10,497	30,693
Total consolidated capital expenditures	$ 46,779	$ 55,442	$ 52,333

(Amounts in thousands)	1998	1997	1996
Geographic information			
Revenues*			
United States	$1,239,970	$1,221,790	$1,051,587
All other countries	532,667	450,425	433,692
Total revenues	$1,772,637	$1,672,215	$1,485,279
Long-lived assets			
United States	$ 445,987	$ 491,514	$ 384,375
All other countries	88,962	72,435	63,676
Total long-lived assets	$534,949	$ 563,949	$ 448,051

*Revenues are attributed to countries based on the origin of the sale.

Products and services: The Corporation derives revenue from a broad line of products and complementary services that can be divided into two groups: tools and equipment. The following table shows the consolidated sales of these product groups in the last three years:

	1998	1997	1996

Tools	$ 918,492	$ 918,238	$ 857,083
Equipment	854,145	753,977	628,196
Total	$1,772,637	$1,672,215	$1,485,279

Note 14 - Restructuring

In 1998, the Corporation announced a simplification initiative ("Project Simplify"), which is a broad program of internal rationalizations, consolidations and reorganizations. The goal is to make the Corporation's business operations simpler and more effective. Project Simplify will result in the closing of six manufacturing facilities, seven warehouses and 47 small offices in North America and Europe; the elimination of 1,100 positions; the discontinuance of 12,000 stock keeping units ("SKUs") of inventory; and the consolidation of certain business units. Total charges for Project Simplify are composed of restructuring charges, other non-recurring charges and related transitional costs.

During 1998, the Corporation recorded pre-tax charges of $149.9 million. This amount consists of $75.6 million of restructuring charges and $74.3 million of other non-recurring charges.

The composition of the Corporation's $75.6 million restructuring charges is as follows:

(Amounts in thousands)	Original Restructuring Reserves	Additions to Reserves	Write-down of Assets to Fair Value	Cash Payments	Restructuring Reserves as of January 2, 1999
Expenditures for					
severance and other exit costs	$ 21,105	$1,969	$ -	$ (6,569)	$ 16,505
Loss on the write-down of intangibles and goodwill	36,240	298	(36,538)	-	-
Charges for warranty provisions	9,660	-	-	-	9,660
Loss on the write-down of assets	5,978	357	(6,335)	-	-
Total restructuring reserves	$ 72,983	$2,624	$ (42,873)	$ (6,569)	$ 26,165

The Corporation has recorded restructuring charges of $15.5 million for severance and of $7.6 million for non-cancelable lease agreements on facilities to be closed and other exit costs associated with Project Simplify. Severance costs provided for worldwide salaried and hourly employees relate to facility closures, duplicate position eliminations and streamlining operations. As of January 2, 1999, 509 employees have separated from the Corporation, and severance payments of $4.4 million have been made. The Corporation has adjusted property, plant and equipment and other assets to net realizable value through an additional $6.3 million restructuring charge.

As part of the restructuring efforts, the Corporation has also written down impaired goodwill and other intangible assets of certain discontinued business units by $36.5 million. The majority of this write-down relates to Computer Aided Services, Inc. and Edge Diagnostic Systems. No net realizable value was assessed for these intangible assets due to the closure of these operations and the discontinuance of their product lines. As part of the elimination of these business units and their product lines, the Corporation has recorded a charge in the amount of $9.7 million to provide additional warranty support, at no cost to the customer, for products already sold. The warranty reserve has been included in Cost of Goods Sold - Discontinued Products, while all remaining restructuring charges have been included in Restructuring and Other Non-recurring Charges on the accompanying Consolidated Statements of Earnings.

As part of Project Simplify, the Corporation has recorded other non-recurring charges in the amount of $74.3 million. These charges include $50.9 million to re-value discontinued SKUs of inventory, costs to resolve certain legal matters in the amount of $18.7 million and other transitional costs in the amount of $4.7 million. The reduction of SKUs is an effort to reduce the transaction costs and working capital intensity of the Corporation's product offering, and refocus on high-volume growth products. The charge for certain legal matters includes legal costs to conclude these issues. The non-recurring charge related to the reduction of SKUs has been included as part of Cost of Goods Sold - Discontinued Products, while the remaining non-recurring charges have been included in Restructuring and Other Non-recurring Charges on the accompanying Consolidated Statements of Earnings.

Shown below is a breakdown of charges by segment; these charges have not been allocated to reportable segments:

(Amounts in thousands)	Restructuring	Non-recurring	Total
North America Transportation	$ 9,661	$13,576	$ 23,237
North America Other	51,810	51,046	102,856
Europe	7,900	4,789	12,689
International	2,836	4,841	7,677
Financial Services	3,400	4	3,404
Total	$75,607	$74,256	$149,863

Note 15 - Subsequent Events

On January 3, 1999, the Corporation established a joint venture with Newcourt Financial USA Inc. ("Newcourt") to provide financial services to the Corporation's global dealer and customer network through a limited liability company known as Snap-on Credit LLC ("the LLC"). The entity is 50% owned by each company. As a result of the establishment of the joint venture, the Corporation effectively outsourced to the LLC its captive credit function. The captive credit function was previously managed by the Corporation's wholly owned subsidiary Snap-on Credit Corporation.

The LLC will be the preferred provider of financial services to the Corporation's global dealer and customer network. The Corporation will receive income from fees paid by the LLC. The fees will be based primarily upon the volume of installment receivables originated by the LLC. Newcourt will provide services and exper-tise to the LLC with a view to increasing originations by the LLC. Newcourt will be paid a fee by the LLC for such services. The management fee paid to Newcourt also will be based primarily on the volume of installment receivables originated by the LLC. Newcourt will receive warehousing and securitization fees from the LLC in connection with the purchased receivables.

On January 4, 1999, in a separate transaction, CreditCorp SPC, LLC sold to Newcourt its entire portfolio of U.S. installment accounts receivable, including existing extended credit customer accounts receivable, equipment lease receivables and dealer loan receivables, for an aggregate sale price of $141.1 million, resulting in a pre-tax gain of approximately $44 million. Newcourt has the right to put back to the Corporation the unpaid portion of the extended credit customer accounts receivable portfolio based on the same pricing formula. As a result, this gain will be recognized over a two-year period.

Quarterly Financial Information

Unaudited

(Amounts in thousands except per share data)	1998	1997	1996
Net sales			
First quarter	$ 426,429	$ 375,299	$ 344,364
Second quarter	442,176	409,231	384,554
Third quarter	427,272	391,162	347,202
Fourth quarter	476,760	496,523	409,159
	$1,772,637	$1,672,215	$1,485,279
Gross profit			
First quarter	$ 211,545	$ 192,967	$ 173,829
Second quarter	204,690	207,667	194,129
Third quarter	151,526	199,294	176,478
Fourth quarter	195,553	243,900	206,348
	$ 763,314	$ 843,828	$ 750,784

Net earnings (loss)			
First quarter	$ 33,926	$ 33,854	$ 29,650
Second quarter	22,661	38,971	34,528
Third quarter	(73,997)**	35,514	30,765
Fourth quarter	12,631***	42,027	36,508
	$(4,779)	$150,366	$131,451
Earnings (loss) per weighted average common share - basic*			
First quarter	$ .57	$ .56	$ .49
Second quarter	.38	.64	.56
Third quarter	(1.24)**	.58	.51
Fourth quarter	.21***	.69	.60
	$ (.08)	$ 2.47	$ 2.16
Earnings (loss) per weighted average common share - diluted*			
First quarter	$ .56	$ .55	$ .48
Second quarter	.38	.63	.56
Third quarter	(1.24)**	.58	.50
Fourth quarter	.21***	.68	.59
	$ (.08)	$ 2.44	$ 2.13

* Adjusted for the three-for-two stock split in 1996. Earnings per share are calculated on a quarterly basis and, as such, the amounts may not total calculated full-year earnings (loss) per share.
** Third quarter 1998 results include $133.1 million of pre-tax restructuring and other non-recurring charges ($96.5 million after taxes). The aggregate earnings per share impact of these items was $1.62 after taxes.
*** Fourth quarter 1998 results include $16.8 million of pre-tax restructuring and other non-recurring charges ($11.2 million after taxes) and a $14.1 million reduction in inventory ($9.0 million after taxes). The aggregate earnings per share impact of these items was $.34 per diluted share and $.35 per basic share.

[Two bar graphs follow this text. The first is titled "Shareholders' Equity per Share." It shows the shareholders' equity per share of the Corporation's common stock (in dollars) for each of fiscal years 1994 through 1998, as follows:

94 - $11.91
95 - $12.35
96 - $13.62
97 - $14.74
98 - $12.98

The second graph is titled "Common Stock Price Range." It shows the price range of the Corporation's common stock (in dollars) for each of fiscal years 1994 through 1998, as follows:

94 - $29.58 - 19.33
95 - $31.50 - 20.67
96 - $38.25 - 27.33
97 - $46.31 - 34.25
98 - $46.44 - 25.50

The information in both of the preceding two graphs is adjusted for the two-for-one stock split in 1996.]

Six-year Data

Amounts in thousands except share data)	1998	1997	1996	1995	1994	1993
Summary of operations						
Net sales	$1,772,637	$1,672,215	$1,485,279	$1,292,125	$1,194,296	$1,132,010

Gross profit	763,314	843,828	750,784	663,491	608,837	595,728
Operating expenses	705,811	650,182	594,527	538,021	510,361	509,910
Net finance income	65,933	71,891	64,269	63,174	60,458	61,115
Operating income	34,135	265,537	220,526	188,644	158,934	146,933
Interest expense	21,254	17,654	12,649	13,327	10,806	11,198
Other income (expense) - net	(2,041)	(9,207)	776	4,572	5,541	756
Pre-tax earnings	10,840	238,676	208,653	179,889	153,669	136,491
Income taxes	15,619	88,310	77,202	66,559	55,355	50,679
Net earnings (loss)	(4,779)	150,366	131,451	113,330	98,314	85,812
Financial position						
Current assets	$1,079,832	$1,021,709	$1,017,324	$ 946,689	$ 873,020	$ 854,598
Current liabilities	458,053	352,530	341,371	336,075	237,869	308,037
Working capital	621,779	669,179	675,953	610,614	635,151	546,561
Accounts receivable	554,703	539,589	651,739	610,064	568,378	539,949
Inventories	375,436	373,155	269,750	250,434	229,037	249,102
Property and equipment - net	272,030	265,765	245,294	220,067	209,142	224,810
Total assets	1,674,920	1,641,357	1,520,788	1,360,973	1,234,905	1,218,933
Long-term debt	246,644	151,016	149,804	143,763	108,980	99,683
Shareholders' equity	762,267	892,137	828,161	750,732	766,398	701,663
Common share summary*						
Net earnings (loss) per share - basic	$ (.08)	$ 2.47	$ 2.16	$ 1.84	$ 1.53	$ 1.34
Cash dividends paid per share	.86	.82	.76	.72	.72	.72
Shareholders' equity per share	12.98	14.74	13.62	12.35	11.91	10.99
Weighted average shares outstanding - basic	59,219,564	60,845,467	60,967,865	61,510,500	64,187,874	63,856,175
Other financial statistics						
Cash dividends paid	$ 50,977	$ 49,888	$ 46,323	$ 44,113	$ 46,197	$ 45,942
Dividends paid as a percent of net earnings	N/M	33.2%	35.2%	38.9%	47.0%	53.5%
Capital expenditures	46,779	55,442	52,333	31,581	41,788	33,248
Depreciation and amortization	44,985	38,377	31,879	31,534	29,632	32,131
Current ratio	2.4	2.9	3.0	2.8	3.7	2.8
Percent of total debt to total capital	30.8%	16.4%	17.3%	18.5%	13.5%	19.3%
Effective tax rate	144.1%	37.0%	37.0%	37.0%	36.0%	37.1%
Operating income as a percent of net sales	1.9%	15.9%	14.8%	14.6%	13.3%	13.0%
Net earnings (loss) as a percent of net sales	(0.3)%	9.0%	8.9%	8.8%	8.2%	7.6%
Return on average shareholders' equity	(0.6)%	17.5%	16.7%	14.9%	13.4%	12.6%
Shareholders of record	11,514	10,738	10,556	9,657	9,292	9,047
Common stock price range*	46.44-25.50	46.31-34.25	38.25-27.33	31.50-20.67	29.58-19.33	29.67-20.33

*Adjusted for the three-for-two stock split in 1996.
1998 results include $149.9 million of pre-tax restructuring and other non-recurring charges ($107.6 million after taxes) and a $14.1 million reduction in inventory ($9.0 million after taxes). The aggregate earnings per share impact of these items was $1.95 after taxes.
N/M = not meaningful.

Investor Information

Common Stock High/Low Prices

Quarter	1998	1997
First	$46.22-$37.19	$42.38-$34.25
Second	46.44- 34.38	41.00- 35.25
Third	37.50- 25.50	44.88- 39.19
Fourth	36.00- 28.88	46.31- 41.50

Dividends Paid per Common Share

Quarter	1998	1997
First	$.21	$.20
Second	.21	.20
Third	.22	.21
Fourth	.22	.21
Total	$.86	$.82

Exchange Listing

Snap-on Incorporated's common stock is listed on the New York Stock Exchange under the ticker symbol SNA.

Transfer Agent and Registrar

First Chicago Trust Company of New York
P. O. Box 2500
Jersey City, New Jersey 07303-2500
or
525 Washington Boulevard
Jersey City, New Jersey 07310

Shareholder Inquiries
Shareholders with questions may call the Transfer Agent, First Chicago Trust Company of New York, toll-free at 1-800-446-2617 or e-mail at fctc@em.fcnbd.com. The deaf and hearing-impaired may call 201-222-4955.

Dividend Record and Pay Dates for 1999

Quarter	Record Date	Pay Date
First	February 17	March 10
Second	May 20	June 10
Third	August 20	September 10
Fourth	November 19	December 10

Dividend Reinvestment
and Direct Stock Purchase Plan
Investors may purchase stock directly from the company and increase their investment through a no-commission dividend reinvestment and direct stock purchase plan. For information write to:

First Chicago Trust Company of New York
Snap-on Dividend Reinvestment and Direct Stock Purchase Plan
P. O. Box 2598
Jersey City, New Jersey 07303-2598
Or call: 1-800-446-2617

Form 10-K and Other Financial Publications
These publications are available without charge. Contact the public relations department at P. O. Box 1430, Kenosha, Wisconsin 53141-1430, call 414-656-4808 (recorded message), e-mail financials@snapon.com, or visit our web site.

Web Site
Snap-on's web site contains the most recent 10-Qs, 10-Ks, news releases, quarterly reports, annual report financials, and information about Snap-on's dividend reinvestment and direct stock purchase plan. Our address is www.snapon.com.

Analyst Contact
Securities analysts and other investors seeking information about the corporation should contact the investor relations department at 414-656-6488.

Independent Auditors
Arthur Andersen LLP
33 West Monroe Street
Chicago, Illinois 60603
312-580-0033

Annual Meeting
The Annual Meeting of Shareholders will be held at the Radisson Hotel & Conference Center Kenosha, 11800 - 108th Street, Pleasant Prairie, Wisconsin, at 10 a.m. on Friday, April 23, 1999.

Exhibit (21)

SUBSIDIARIES OF THE CORPORATION
As of March 1, 1999

Name	State or other jurisdiction of organization
Cartec GmbH	Germany
CreditCorp SPC, LLC	Wisconsin
G.S. S.r.l.	Italy
Hein-Werner Corporation	Wisconsin
Herramientas Eurotools, S.A.	Spain
Hoffman Werkstatt-Technik GmbH	Germany
IDMC, Inc.	Wisconsin
IDSC Holdings, Inc.	Wisconsin
Mitchell Repair Information Company, LLC	Delaware
Nationwide International L.L.C.	Australia
Nu-Tech Industries, Inc.	Kentucky
Sioux Tools, Inc.	Iowa
Snap-on Equipment Europe	Ireland
Snap-on Equipment France, S.A.	France
Snap-on Financial Services, Inc.	Nevada
Snap-on Global Holdings, Inc.	Delaware
Snap-on International Finance Company	Ireland
Snap-on Technologies, Inc.	Illinois
Snap-on Tools (Australia) Pty. Ltd.	Australia
Snap-on Tools Company	Wisconsin
Snap-on Tools International, Ltd.	Virgin Islands
Snap-on Tools Japan, K.K.	Japan
Snap-on Tools Limited	United Kingdom
Snap-on Logistics Company	Wisconsin
Snap-on Tools Manufacturing Company	Wisconsin
Snap-on Tools of Canada Ltd.	Canada
Sun Electric Deutschland GmbH	Germany
Sun Electric do Brasil	Brazil
Sun Electric Europe B.V.	Netherlands
Sun Electric Nederland B.V.	Netherlands
Sun Electric U.K. Limited	England
Wheeltronic Ltd.	Ontario

Exhibit 23

The Consent of the Independent Public Accountants of Snap-on Incorporated is contained along with the Report of Independent Accountants on Financial Statement Schedule on page 13 of this Form 10-K.

<ARTICLE> 5
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THE SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED FINANCIAL STATEMENTS OF SNAP-ON INCORPORATED AS OF AND FOR THE YEAR ENDED JANUARY 2, 1999 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS
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