UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For quarterly period ended September 29, 2001

Commission File Number 1-7724

Snap-on Incorporated
(Exact name of registrant as specified in its charter)

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

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

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

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

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date:

Class	Outstanding at October 27, 2001
Common stock, $1 par value	57,900,940 shares

SNAP-ON INCORPORATED

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PART I. FINANCIAL INFORMATION

Item 1: Financial Statements

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

	Thirteen Weeks Ended		Thirty-nine Weeks Ended	
	September 29, 2001	September 30, 2000	September 29, 2001	September 30, 2000
Net sales	$ 508.1	$ 511.9	$1,561.1	$1,619.4
Cost of goods sold	(273.3)	(278.9)	(843.3)	(872.7)
Cost of goods sold - non-recurring charges	(12.4)	-	(12.4)	-
Operating expenses	(199.0)	(187.7)	(607.4)	(576.5)
Net finance income	7.7	8.4	27.7	30.6
Restructuring and other non-recurring charges	(18.0)	-	(32.4)	(.4)
Interest expense	(9.1)	(10.3)	(27.2)	(31.2)
Other income (expense) - net	(.8)	1.3	(.5)	3.2
Earnings from continuing operations before income taxes	3.2	44.7	65.6	172.4
Income taxes on earnings from continuing operations	2.6	16.3	26.7	63.0
Earnings before cumulative effect of a change in accounting principle	0.6	28.4	38.9	109.4
Cumulative effect of a change in accounting principle for derivatives in 2001 (net of tax benefit of $1.6), and for pensions in 2000 (net of tax of $15.9)	-	-	(2.5)	25.4
Net earnings	$ 0.6	$ 28.4	$ 36.4	$ 134.8
Net earnings per share - basic and diluted:				
Earnings before cumulative effect of a change in accounting principle	$ .01	$ .48	$ .67	$ 1.86
Cumulative effect of a change in accounting principle, net of tax	-	-	(.05)	.43
Net earnings per share	$ .01	$ .48	$ .62	$ 2.29
Weighted-average shares outstanding:				
Basic	58.0	58.5	57.9	58.6
Effect of dilutive options	.2	.2	.2	.2
Diluted	58.2	58.7	58.1	58.8
Dividends declared per common share	$ -	$ -	$ .72	$ .70

See Notes to Consolidated Financial Statements.

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

	September 29, 2001	December 30, 2000
	(Unaudited)	
ASSETS		
Current Assets		
Cash and cash equivalents	$ 5.5	$ 6.1
Accounts receivable - net of allowances	622.4	644.5
Inventories		
Finished stock	388.0	386.0
Work in process	47.4	45.1
Raw materials	88.4	79.7
Excess of current cost over LIFO cost	(94.2)	(91.9)
Total inventory	429.6	418.9

Prepaid expenses and other assets	133.7	116.9
Total current assets	1,191.2	1,186.4
Property and equipment		
Land	23.7	24.3
Buildings and improvements	197.2	204.8
Machinery and equipment	492.6	477.2
	713.5	706.3
Accumulated depreciation	(388.5)	(361.2)
Property and equipment - net	325.0	345.1
Deferred income tax benefits	33.6	33.0
Intangibles - net	401.2	424.6
Other assets	64.9	61.3
Total assets	$2,015.9	$2,050.4

See Notes to Consolidated Financial Statements.

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

	September 29, 2001	December 30, 2000
	(Unaudited)	
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable	$ 147.6	$ 161.0
Notes payable and current maturities of long-term debt	42.4	70.3
Accrued compensation	54.6	56.3
Dealer deposits	45.6	39.8
Deferred subscription revenue	45.8	44.9
Accrued restructuring reserves	12.9	-
Other accrued liabilities	175.9	165.7
Total current liabilities	524.8	538.0
Long-term debt	490.2	473.0
Deferred income taxes	22.7	24.7
Retiree health care benefits	95.0	92.2
Pension liability	30.2	41.4
Other long-term liabilities	36.3	37.1
Total liabilities	1,199.2	1,206.4
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 66,834,945 and 66,789,090 shares	66.9	66.8
Additional paid-in capital	37.3	71.6
Retained earnings	1,046.0	1,051.3
Accumulated other comprehensive income (loss)	(110.2)	(87.2)
Grantor stock trust at fair market value - 6,131,354 and 6,443,033 shares	(136.9)	(179.6)
Treasury stock at cost - 2,793,435 and 2,523,435 shares	(86.4)	(78.9)
Total shareholders' equity	816.7	844.0
Total liabilities and shareholders' equity	$2,015.9	$2,050.4

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See Notes to Consolidated Financial Statements.

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

	Thirty-nine Weeks Ended	
	September 29, 2001	September 30, 2000
OPERATING ACTIVITIES		
Net earnings	$ 36.4	$ 134.8
Adjustments to reconcile net earnings to net cash provided (used) by operating activities:		
Cumulative effect of a change in accounting principle (net of tax) for derivatives in 2001 and for pensions in 2000	2.5	(25.4)
Depreciation	38.1	38.7
Amortization of intangibles	13.5	12.7
Deferred income tax provision	6.5	13.9
Gain on sale of assets	(.2)	(2.1)
Mark-to-market on cash flow hedges, net of tax	(2.0)	-
Restructuring and other non-recurring charges, net of tax	29.8	.2
Changes in operating assets and liabilities, net of effects of acquisitions:		
(Increase) decrease in receivables	14.5	(9.4)
(Increase) decrease in inventories	(30.4)	(7.6)
(Increase) decrease in prepaid and other assets	(13.6)	(11.5)
Increase (decrease) in accounts payable	(10.0)	(2.0)
Increase (decrease) in accruals and other liabilities	(10.6)	(27.2)
Net cash provided by operating activities	74.5	115.1
INVESTING ACTIVITIES		
Capital expenditures	(33.6)	(42.4)
Acquisitions of businesses - net of cash acquired	(.9)	(9.6)
Disposal of property and equipment	5.4	8.2
Net cash used in investing activities	(29.1)	(43.8)
FINANCING ACTIVITIES		
Payment of long-term debt	(4.8)	(2.9)
Proceeds from issuance of long-term debt	200.1	4.2
Increase (decrease) in short-term borrowings - net	(200.2)	(24.5)
Purchase of treasury stock	(7.5)	(20.2)
Proceeds from stock purchase and option plans	8.6	6.6
Cash dividends paid	(41.7)	(42.1)
Net cash used in financing activities	(45.5)	(78.9)
Effect of exchange rate changes on cash	(.5)	(1.0)
Increase (decrease) in cash and cash equivalents	(.6)	(8.6)
Cash and cash equivalents at beginning of period	6.1	17.6
Cash and cash equivalents at end of period	$ 5.5	$ 9.0
Supplemental cash flow disclosures:		
Cash paid for interest	$ 25.3	$ 30.2
Cash paid for income taxes	$ 14.5	$ 34.8

See Notes to Consolidated Financial Statements.

SNAP-ON INCORPORATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. This report should be read in conjunction with the consolidated financial

statements and related notes included in Snap-on Incorporated's ("Snap-on") Annual Report on Form 10-K for the year ended December 30, 2000.

In the opinion of management, all adjustments (consisting only of normal recurring adjustments and adjustments related to restructuring and other non-recurring charges) necessary to a fair statement of financial condition and results of operations for the thirteen and thirty-nine weeks ended September 29, 2001, have been made. Management also believes that the results of operations for the thirteen and thirty-nine weeks ended September 29, 2001, are not necessarily indicative of the results to be expected for the full year.

During the fourth quarter of 2000, Snap-on recorded a pre-tax gain of $41.3 million ($25.4 million after tax) for the cumulative effect of a change in accounting principle for pensions that was retroactive to the first quarter of 2000. Previously reported third quarter and year-to-date 2000 results have been restated for a reduction in periodic pension expense of $2.4 million ($1.5 million after tax) and $7.2 million ($4.5 million after tax), respectively, as a result of this change in accounting for pensions. The year-to-date 2000 results also reflect the cumulative effect gain of $25.4 million. Certain other prior-year amounts have been reclassified to conform with the current-year presentation.

2. In the second quarter of 2001, Snap-on announced that it is taking significant action to (i) reduce costs companywide to adjust to the slower sales environment and (ii) improve operational performance in businesses not earning acceptable financial returns. As a result of selective rationalization and consolidation actions, Snap-on expects to reduce its global workforce of 14,000 by approximately 4% and consolidate/close several facilities. In implementing these actions, Snap-on anticipates that it will incur restructuring, non-recurring and other non-comparable, pre-tax charges totaling $65 million to $75 million in 2001, including second quarter charges of $20.5 million, third quarter charges of $34.4 million and fourth quarter anticipated charges of $10 to $20 million. Approximately 55% of the $54.9 million of charges incurred to date were non-cash, with the remaining costs requiring cash outflows from operations and borrowings under Snap-on's existing credit facilities.

In the third quarter of 2001, Snap-on recorded special charges of $34.4 million before tax, or $23.3 million after tax ($0.40 per diluted share), comprised of restructuring and non-recurring charges of $18.0 million, non-recurring charges in cost of goods sold of $12.4 million, and non-comparable charges in operating expenses of $4.0 million. Restructuring and other non-recurring charges of $18.0 million include $4.8 million for non-cancelable lease agreements and related facility asset write-downs for the consolidation/closure of three manufacturing facilities and 14 sales/administration offices, $12.4 million of severance costs for the elimination of 358 positions, $0.5 million for legal and professional services and $0.3 million in non-recurring relocation transition costs.

During the third quarter of 2001, Snap-on incurred non-recurring charges of $12.4 million comprised of $2.1 million for inventory write-downs associated with the restructuring activities and $10.3 million for additional inventory write-downs and warranty costs associated with the company's previously announced exiting of an unprofitable segment of the emissions-testing business in the fourth quarter of 2000. Snap-on recorded charges for expected losses on the disposition of discontinued inventory, extended warranty costs and other asset impairments related to this exit plan in December 2000. Snap-on's decision to exit this segment of the emissions-testing business was prompted by continued changes in technology and emissions regulations at both the state and federal levels. During 2001, Snap-on has experienced higher than expected warranty costs and increased difficulty in collecting accounts receivable. As a result, Snap-on revised its cost estimates relative to the emissions exit plan and recorded additional non-recurring charges in the third quarter of 2001 of $10.3 million for the disposition of discontinued inventory and for additional warranty costs as part of its exit strategy. Snap-on also recorded $4.0 million of non-comparable costs in operating expenses for emissions-related bad debts.

The composition of Snap-on's restructuring charge activity for the nine months ended September 29, 2001, was as follows:

(Amounts in millions)	Restructuring Reserve Balance as of December 30, 2000	Additions	Usage	Balance as of September 29, 2001
Expenditures for severance and facility consolidation/closure costs	$ -	$19.1	$ (6.2)	$12.9
Loss on write-down of assets	-	4.6	(4.6)	-
Total	$ -	$23.7	$(10.8)	$12.9

For the first nine months of 2001, Snap-on recorded restructuring and non-recurring charges totaling $44.8 million before tax ($29.8 million after tax), comprised of restructuring and non-recurring charges of $32.4 million ($23.7 million of restructuring charges and $8.7 million of non-recurring charges) and non-recurring charges in cost of goods sold of $12.4 million. The restructuring charges of $23.7 million are for the consolidation/closure of 26 facilities, comprised of seven manufacturing facilities and 19 sales/administration offices, and includes $13.5 million for severance costs associated with the elimination of 456 positions, $9.5 million for non-cancelable lease agreements and related facility asset write-downs, and $0.7 million for other exit-related costs related to legal and professional services. Severance costs provided for worldwide salaried and hourly employees relate to facility closures, consolidation and streamlining initiatives. The non-recurring charges of $8.7 million include $8.4 million for management transition costs associated with the April 2001 retirement of Snap-on's president and chief executive officer and the appointment of Dale F. Elliott, Snap-on's president - diagnostics and industrial, as successor to this position and $0.3 million for equipment relocation transition costs. The non-recurring charges of $12.4 million reflect $2.1 million for inventory write-downs associated with the restructuring activities and $10.3 million of additional inventory write-downs and warranty costs associated with the company's exiting of a segment of the emissions-testing business.

As of September 29, 2001, 74 employees have been separated from the company and severance payments of $1.8 million have been made in conjunction with the company's 2001 restructuring activities. Snap-on believes that the restructuring reserve balance of $12.9 million at September 29, 2001 is adequate to complete all announced activities and anticipates that all announced actions will be completed by the end of the third quarter of 2002.

Snap-on expects to fund cash requirements of its 2001 restructuring activities with cash flows from operations and borrowings under the company's existing credit facilities. The specific restructuring measures and estimated costs were based on management's best business judgment under prevailing circumstances.

For the first nine months of 2001, Snap-on recorded $10.1 million of non-comparable costs consisting of $4.0 million in operating expenses for emissions-related bad debts and $6.1 million (consisting of $1.5 million cost of goods sold and $4.6 million in operating expenses) associated with the termination of an European equipment supplier agreement.

3. Snap-on normally declares and pays in cash four regular, quarterly dividends. However, the third quarter dividend in each year is declared in June, giving rise to two regular quarterly dividends appearing in the second quarter, no regular quarterly dividends appearing in the third quarter and three regular quarterly dividends appearing in the first thirty-nine weeks' statements.

4. Snap-on accounts for its hedging activities under Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended by SFAS No. 138. These standards require that all derivative instruments be reported in the consolidated financial statements at fair value. Changes in the fair value of derivatives are to be recorded each period in earnings or other comprehensive income (loss), depending on the type of hedged transaction and whether the derivative is designated and effective as part of a hedged transaction. Gains or losses on derivative instruments reported in other comprehensive income (loss) must be reclassified as earnings in the period in which earnings are affected by the underlying hedged item, and the ineffective portion of all hedges must be recognized in earnings in the current period.

In accordance with the provisions of SFAS No. 133, Snap-on recorded a transition adjustment on December 31, 2000, the beginning of Snap-on's 2001 fiscal year, to recognize its derivative instruments at fair value, and to recognize the difference between the carrying values and fair values of related hedged assets and liabilities upon adoption of these standards. The effect of this transition adjustment was to decrease reported net income in the first quarter of 2001 by $2.5 million related to a hedge strategy that did not qualify for hedge accounting under SFAS No. 133. Snap-on also recorded in the first quarter of 2001 a transition adjustment of $1.2 million, after tax, in accumulated other comprehensive income (loss) to recognize previously deferred net gains on derivatives designated as cash flow hedges that qualify for hedge accounting under SFAS No. 133.

Snap-on uses derivative instruments to manage well-defined interest rate and foreign currency exposures. Snap-on 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. Upon adoption of the new derivative accounting requirements, on the date a derivative contract is entered into, Snap-on designates the derivative as either a fair value hedge, a cash flow hedge, a hedge of a net investment in a foreign operation, or a natural hedging instrument whose change in fair value is recognized as an economic hedge against changes in the values of the hedged item.

Foreign Currency Derivative Instruments: Snap-on has operations in a number of countries and has intercompany transactions among them and, as a result, is exposed to changes in foreign currency exchange rates. Snap-on manages most of these exposures on a consolidated basis, which allows for netting of certain exposures to take advantage of natural offsets. To the extent the net exposures are hedged, forward exchange contracts are used. Gains and/or losses on these foreign currency hedges are intended to offset losses and/or gains on the hedged transaction in an effort to reduce the earnings volatility resulting from fluctuating foreign currency exchange rates. At September 29, 2001, Snap-on had net outstanding foreign exchange forward contracts totaling $166.1 million comprised of $75.0 million in euros, $53.1 million in British pounds, $25.2 million in Canadian dollars, $2.9 million in Swedish krona and $9.9 million in other currencies.

Snap-on's forward exchange contracts generally do not qualify for hedge accounting treatment under SFAS No. 133 and are excluded from the assessment of effectiveness. The fair value changes of these contracts are reported in earnings as foreign exchange gain or loss, which is included in other income (expense). Those forward exchange contracts that qualify for hedge accounting treatment are accounted for as cash flow hedges where the effective portion of the changes in fair value of the derivative is recorded in other comprehensive income (loss). When the hedged item is realized in income, the gain or loss included in accumulated other comprehensive income (loss) is reclassified to income in the same financial statement caption as the hedged item. The ineffective portion of changes in fair value of the cash flow hedges are reported in earnings as foreign exchange gain or loss, which is included in other income (expense). Forward points on forward exchange contracts are recognized as interest expense.

Non-Derivative Instruments Designated in Hedging Relationships: Snap-on uses non-U.S. dollar financing transactions as net investment hedges of long-term investments in the corresponding foreign currency. Hedges that meet the effectiveness requirements are accounted for under net investment hedging rules. The effective portion of the fair value of derivatives used as a net investment hedge of a foreign operation is recorded in accumulated other comprehensive income (loss) as a cumulative translation adjustment. When applicable, the ineffective portion of the change in the fair value of a derivative or non-derivative instrument designated as a net investment hedge is recorded in earnings as foreign exchange gain or loss, which is included in other income (expense). At September 29, 2001, net gains of $3.9 million arising from effective hedges of net investments have been reflected in the cumulative translation adjustment account as a component of accumulated other comprehensive income (loss).

Interest Rate Swap Agreements: Snap-on enters into interest rate swap agreements to manage interest costs and risks associated with changing interest rates, specifically the future issuance of commercial paper. Snap-on has interest rate swap agreements in place that effectively exchange floating rate payments for fixed rate payments. Interest rate swap agreements are accounted for as cash flow hedges. The differentials paid or received on interest rate swap agreements are accrued and recognized as adjustments to interest expense. The effective portion of the change in fair value of the derivative is recorded in other comprehensive income (loss), while any ineffective portion is recorded as an adjustment to interest expense. The notional amount of interest rate swaps was $75.0 million at September 29, 2001.

For all derivatives qualifying for hedge accounting under SFAS No. 133, the net accumulated derivative loss at September 29, 2001, was $2.0 million, after tax, and is reflected in accumulated other comprehensive income (loss) on the balance sheet. At September 29, 2001, the maximum maturity date of any cash flow hedge is approximately 42 months. During the next 12 months, Snap-on expects to reclassify into earnings net losses from accumulated other comprehensive income (loss) of approximately $1.0 million, after tax, at the time the underlying hedged transactions are realized.

During the third quarter ended September 29, 2001, cash flow hedge ineffectiveness was not material. However, there were pre-tax derivative losses of $0.5 million in the third quarter of 2001 excluded from the assessment of effectiveness recorded in interest expense.

5. Basic and diluted earnings per share were computed by dividing net earnings by the corresponding weighted-average common shares outstanding for the period. The dilutive effect of the potential exercise of outstanding options to purchase shares of common stock is calculated using the treasury stock method.

6. In June 2001, the Financial Accounting Standards Board ("FASB") issued SFAS No. 141, "Business Combinations" and SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 141 requires all business combinations initiated after June 30, 2001, to be accounted for under the purchase method, prohibiting the use of the Pooling-of-Interests approach and includes criteria for the recognition of intangible assets separately from goodwill. SFAS No. 142 requires the periodic testing of goodwill and indefinite-lived intangible assets for impairment, as compared to the current method of amortizing such assets to expense over their estimated useful lives. Snap-on will adopt SFAS No. 142 at the beginning of its 2002 fiscal year, and currently estimates that the impact of discontinuing goodwill amortization will approximate $15 million on an annualized basis. As of September 29, 2001, Snap-on's goodwill balance, net of accumulated amortization, was $340.1 million. Snap-on is currently evaluating what additional impact the new accounting standards may have on Snap-on's financial position or results of operations.

   The FASB also issued SFAS No. 143, "Accounting for Asset Retirement Obligations" in June 2001. SFAS 143 addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. The statement requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred and capitalized as part of the carrying amount of the long-lived asset. The statement will be effective for fiscal years beginning after June 15, 2002.

In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" which supersedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of." The statement provides a single accounting model for long-lived assets to be disposed of.

Snap-on will adopt SFAS No. 144 at the beginning of its 2002 fiscal year, while SFAS No. 143 will be effective for fiscal years beginning after June 15, 2002. Snap-on is currently evaluating the impact these new accounting standards may have on Snap-on's financial position or results of operations.

7. In August 2001, Snap-on issued $200 million of notes pursuant to a shelf registration statement previously filed with the Securities and Exchange Commission in 1994. The registration allowed Snap-on to issue up to $300 million of unsecured indebtedness to the public. In October 1995, Snap-on issued $100 million of unsecured notes to the public under this shelf registration. The August 2001 notes require semiannual interest payments at the rate of 6.25% and mature in their entirety on August 15, 2011. The October 1995 notes require semiannual interest payments at a rate of 6.625% and mature in their entirety on October 1, 2005.

8. Total comprehensive income for the thirteen and thirty-nine week periods ended September 29, 2001, and September 30, 2000, was as follows:

	Thirteen Weeks Ended		Thirty-nine Weeks Ended	
(Amounts in millions)	September 29, 2001	September 30, 2000	September 29, 2001	September 30, 2000
Net earnings	$ .6	$ 28.4	$ 36.4	$ 134.8
Foreign currency translation	11.2	(49.2)	(21.1)	(54.7)
Change in fair value of derivative instruments, net of tax	(1.2)	-	(2.0)	-
Total comprehensive income	$ 10.6	$ (20.8)	$ 13.3	$ 80.1

9. Snap-on filed a complaint against SPX Corporation ("SPX") alleging infringement of Snap-on's patents and asserting claims relating to SPX's hiring of the former president of Sun Electric, a subsidiary of Snap-on. SPX filed a counterclaim, alleging infringement of certain SPX patents. The dispute will be resolved through binding arbitration, which began October 22 and is presently scheduled to conclude by year end. The parties have agreed to an arbitration procedure that requires the arbitrator to render an award either in favor of Snap-on for $3 million or in favor of SPX for $44 million. Although management believes the more likely result is that Snap-on will prevail in its claims and be entitled to damages of $3 million, it is not possible at this time to predict the outcome of the arbitration with certainty.

Snap-on is involved in other various legal matters that are being defended and handled in the ordinary course of business and Snap-on maintains accruals for such costs. Although it is not possible to predict the outcome of these other matters, management believes that the results will not have a material impact on Snap-on's financial statements.

10. Snap-on has two reportable segments: the Snap-on Dealer Group and the Commercial and Industrial Group. These segments are based on the

organization structure used by management for making operating and investment decisions and for assessing performance. The Snap-on Dealer Group consists of Snap-on's business operations serving the worldwide franchised dealer van channel. The Commercial and Industrial Group consists of the business operations serving the worldwide non-dealer tool and equipment products businesses. These two segments derive revenues primarily from the sale of tools and equipment.

Snap-on evaluates the performance of its operating segments based on segment net sales and operating earnings. Snap-on defines operating earnings for segment reporting purposes as Net Sales less Cost of Goods Sold and Operating Expenses, excluding restructuring and non-recurring charges. Snap-on accounts for intersegment sales and transfers based primarily on standard costs established between the segments. Snap-on allocates shared service expenses to those segments that utilize the services based on their percentage of revenues from external sources.

Financial data by segment:

	Thirteen Weeks Ended		Thirty-nine Weeks Ended	
(Amounts in millions)	September 29, 2001	September 30, 2000	September 29, 2001	September 30, 2000
Net sales from external customers:				
Snap-on Dealer Group	$ 259.6	$ 251.3	$ 777.3	$ 796.6
Commercial and Industrial Group	248.5	260.6	783.8	822.8
Total net sales	$ 508.1	$ 511.9	$1,561.1	$1,619.4
Intersegment sales:				
Snap-on Dealer Group	$ -	$ -	$ -	$ -
Commercial and Industrial Group	92.7	81.9	285.3	269.8
Total intersegment sales	92.7	81.9	285.3	269.8
Elimination of intersegment sales	(92.7)	(81.9)	(285.3)	(269.8)
Total consolidated intersegment sales	$ -	$ -	$ -	$ -

	Thirteen Weeks Ended		Thirty-nine Weeks Ended	
(Amounts in millions)	September 29, 2001	September 30, 2000	September 29, 2001	September 30, 2000
Earnings:				
Snap-on Dealer Group	$ 30.3	$ 24.8	$ 84.1	$ 102.6
Commercial and Industrial Group	5.5	20.5	26.3	67.6
Segment operating earnings	35.8	45.3	110.4	170.2
Net finance income	7.7	8.4	27.7	30.6
Restructuring and other non-recurring charges	(30.4)	-	(44.8)	(.4)
Interest expense	(9.1)	(10.3)	(27.2)	(31.2)
Other income (expense) - net	(.8)	1.3	(.5)	3.2
Total pre-tax earnings from continuing operations	$ 3.2	$ 44.7	$ 65.6	$ 172.4

	As of	
	September 29, 2001	December 30, 2000
Assets:		
Snap-on Dealer Group	$ 825.0	$ 796.0
Commercial and Industrial Group	1,150.1	1,210.8
Total from reportable segments	1,975.1	2,006.8
Financial Services	94.2	96.2
Elimination of intersegment receivables	(53.4)	(52.6)
Total assets	$2,015.9	$2,050.4

SNAP-ON INCORPORATED
MANAGEMENT'S DISCUSSION AND ANALYSIS OF

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

RESULTS OF OPERATIONS

Consolidated

Net sales in the third quarter of 2001 were $508.1 million, down 0.7% versus the comparable period in 2000. For the first nine months of 2001, net sales were $1,561.1 million, down 3.6% as compared to $1,619.4 million in the first nine months of 2000. The year-over-year decrease in net sales for both the third quarter and first nine months of 2001 reflects lower organic sales of equipment and large diagnostics products for the vehicle-repair market in Europe and North America as a result of soft market conditions, as well as the impact of unfavorable currency translations. Currency translation negatively impacted sales by 1% for the third quarter and 2% for the first nine months of 2001. Organic sales were essentially flat for the third quarter and down 1% for the first nine months of 2001. Snap-on Incorporated ("Snap-on") defines organic sales growth as the change in year-over-year base sales volumes, excluding the impact of acquisitions, divestitures and currency translation.

Net earnings for the third quarter of 2001 were $0.6 million, or $.01 per diluted share, as compared with $28.4 million, or $.48 per diluted share, in 2000. The decrease in net earnings largely reflects lower operating margins and restructuring and non-recurring charges. Contributing to the 2001 margin erosion were higher training and recruiting costs related to Snap-on's "More Feet on the Street" dealer expansion initiative, unfavorable operating leverage associated with the lower-than-planned sales, new product development and increased bad debt provisions as a result of the slowing economy. Net earnings for the third quarter were adversely impacted by charges totaling $34.4 million ($23.3 million after tax, or $.40 per share), including restructuring and non-recurring charges of $30.4 million and other non-comparable charges of $4.0 million. For additional information on Snap-on's restructuring initiatives and non-recurring charges, refer to pages 18-20.

For the first nine months of 2001, net earnings, before the cumulative effect of a change in accounting principle in both years, were $38.9 million, or $.67 per diluted share, as compared with $109.4 million, or $1.86 per diluted share, in 2000. The year-over-year decrease in net earnings is primarily due to lower sales of higher margin product and higher operating expenses as a result of unfavorable operating leverage from the lower sales volumes, increased costs for new product development, higher training and recruiting costs associated with the More Feet on the Street initiative, higher energy-driven costs, increased bad debt provisions and restructuring and non-recurring charges.

Net earnings for the first nine months of 2001 were $36.4 million, or $.62 per share, as compared to $134.8 million, or $2.29 per share, in the comparable prior-year period. In 2001, Snap-on incurred a net charge of $2.5 million, or $.05 per share, for the cumulative effect of an accounting change associated with Snap-on's adoption of Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities." Net earnings in 2000 included a net gain of $25.4 million, or $.43 per share, for the cumulative effect of an accounting change related to pensions. This change, which occurred during the fourth quarter of 2000, was retroactive to the first quarter of 2000. As a result, previously reported third quarter and year-to-date 2000 results have been restated to reflect a reduction in periodic pension expense of $2.4 million pretax ($1.5 million after tax) and $7.2 million pretax ($4.5 million after tax), respectively, as a result of this change.

Gross profit for the third quarter of 2001 was $222.4 million, down 4.5% from $233.0 million in the third quarter of 2000. As a percentage of net sales, gross profit margin in the third quarter of 2001 declined to 43.8%, as compared to 45.5% in the comparable prior-year period. Gross profit for the first nine months of 2001 was $705.4 million, down 5.5% from $746.7 million in the prior-year period. As a percentage of net sales, gross profit margin for the first nine months of 2001 declined to 45.2%, versus 46.1% in the first nine months of 2000. The year-over-year decline in gross margin for both periods primarily reflects the adverse effect of non-recurring charges incurred in the third quarter of 2001, as well as the under-absorption of manufacturing costs from the lower-than-planned sales. These margin declines were partially offset by the impacts of effective price discipline and improved productivity, along with the success of new product introductions.

Operating expenses for the third quarter of 2001 were $199.0 million, up $11.3 million or 6.0%, as compared to $187.7 million in the third quarter of 2000. As a percentage of net sales, operating expenses increased to 39.2% of net sales in the third quarter of 2001, versus 36.7% in 2000. For the first nine months of 2001, operating expenses were $607.4 million, up $30.9 million or 5.4%, as compared to $576.5 million in 2000. As a percentage of net sales, year-to-date 2001 operating expenses were 38.9%, as compared to 35.6% in the comparable prior-year period. The year-over-year increase in operating expenses for both the third quarter and the first nine months of 2001, is largely due to unfavorable operating leverage from the lower sales volumes, increased new product development costs, higher training and recruiting costs associated with the More Feet on the Street initiative, increased bad debts provisions and asset write-downs associated with the previously announced exit of an unprofitable segment of the emissions business in the fourth quarter of 2000. Year-to-date 2001 operating expenses were further impacted by costs associated with the termination of a European equipment supplier arrangement and higher energy-driven costs.

Segment Results

Snap-on Dealer Group

In the worldwide Snap-on Dealer Group segment, sales of $259.6 million for the third quarter of 2001 were up 3.3% from the comparable prior-year levels. Organic sales for the third quarter increased 5%, reflecting continued strength in core tools and tool storage, combined with an expanded number of dealers from the More Feet on the Street program and the introduction of new products and marketing efforts. These sales increases more than offset the continued sluggish demand for big-ticket equipment and diagnostics products, which are principally sold through the tech rep sales organization. For the third quarter, in the U.S., dealer business sales were up 6% compared to the weak volume reported in the third quarter of 2000 when the vehicle-service market was adversely impacted by high fuel costs, partially offset by a decrease in sales of big-ticket equipment and diagnostic products. Third-quarter European dealer sales increased 5%, reflecting the continued postitive impact of hand-held diagnostics introduced into the United Kingdom during the second quarter of 2001. In Japan and Australia, reported sales for the third quarter of 2001 declined 7%, primarily reflecting unfavorable currency translations. Excluding currency impacts, total non-U.S. dealer sales for the third quarter of 2001 increased 6%.

Segment earnings for the third quarter of 2001 were $30.3 million, as compared to $24.8 million in the third quarter of 2000. The improvement in segment earnings for the third quarter of 2001 reflects the higher operating leverage from the increased sales along with the positive contribution from new products, partially offset by higher training and recruiting costs related to expanding the dealer base.

On a year-to-date basis, segment sales of $777.3 million were down 2.4% as compared to the first nine months of 2000. Year-to-date organic sales decreased 1%, reflecting lower sales of big-ticket products. U.S. dealer business sales were down 1% for the nine-month period with increases in sales of tools and tool storage products, offset by decreases in sales of big-ticket equipment and diagnostic products, primarily sold through the tech rep sales organization. Year-to-date European sales were down 2% and Japan and Australia sales were down 11% on a reported basis, primarily reflecting unfavorable currency translations. Excluding the effects of currency translation, total non-U.S. dealer sales were up 4% for the first nine months of 2001.

For the first nine months of 2001, segment earnings were $84.1 million, versus $102.6 million in the first nine months of 2000. The decrease in segment earnings reflects the negative operating leverage experienced during the first half of the year on the lower-than-planned sales volume, the impact of having non-U.S. dealer operations supplied by U.S. manufacturing facilities and higher training and recruiting costs related to expanding the dealer base. Year-to-date, a net increase of 163 dealers in the United States from the More Feet on the Street program is progressing in line with the company's target of a 10% increase in dealers by mid-year 2002.

Commercial and Industrial Group

In the Commercial and Industrial Group segment, sales of $248.5 million for the third quarter of 2001 declined 4.6% from prior-year levels. Organic sales for the third quarter decreased 3% largely due to a decline in industrial tool sales and continued softness in the diagnostics and equipment markets. On a reported basis, sales of tools in the European and U.S. industrial sectors declined 8%, reflecting the erosion in confidence and weaker economic conditions affecting many industrial sectors such as automotive, electronics and aerospace, while equipment sales declined 2% and the diagnostics business in Europe was down 4%. Equipment sales to new-vehicle dealerships under facilitation agreements increased 7%. Non-U.S. operations in the segment declined 4%, excluding currency impacts.

Segment earnings for the third quarter of 2001 were $5.5 million, as compared to $20.5 million in the third quarter of 2000. The decline in segment earnings in the third quarter reflects the lower sales volumes and non-comparable charges for asset write-downs related to the previously announced exit of an unprofitable segment of the emissions-testing business.

For the first nine months of 2001, sales of $783.8 million declined 4.7% from the prior-year period. Organic sales declined 2%, principally from continued softness in the diagnostics and equipment markets. On a reported basis, sales of tools in industrial sectors were down 5%, equipment sales declined 8%, the diagnostics business in Europe was down 8% and equipment sales to new-vehicle dealerships under facilitation agreements also declined 5%. Non-U.S. operations in the segment declined 2%, excluding currency impacts.

For the first nine months of 2001, segment earnings were $26.3 million, as compared to $67.6 million in the first nine months of 2000. The decline in segment earnings for the nine-month period further reflects the lower sales volumes and non-comparable charges incurred during 2001. The non-comparable charges include asset write-downs incurred in the third quarter related to the previously announced exit of an unprofitable segment of the emissions-testing business and $5.6 million in charges incurred in the second quarter of 2001, primarily related to the termination of a European supplier agreement.

Restructuring and Non-Recurring Charges

In the second quarter of 2001, Snap-on announced that it is taking significant action to (i) reduce costs companywide to adjust to the slower sales environment and (ii) improve operational performance in businesses not earning acceptable financial returns. As a result of selective rationalization and consolidation actions, Snap-on expects to reduce its global workforce of 14,000 by approximately 4% and consolidate/close several facilities. In implementing these actions, Snap-on anticipates that it will incur restructuring, non-recurring and other non-comparable, pre-tax charges totaling $65 million to $75 million in 2001, including second quarter charges of $20.5 million, third quarter charges of $34.4 million and fourth quarter anticipated charges of $10 to $20 million. Approximately 55% of the $54.9 million of charges incurred to date were non-cash, with the remaining costs requiring cash outflows from operations and borrowings under Snap-on's existing credit facilities.

In the third quarter of 2001, Snap-on recorded special charges of $34.4 million before tax, or $23.3 million after tax ($0.40 per diluted share), comprised of restructuring and non-recurring charges of $18.0 million, non-recurring charges in cost of goods sold of $12.4 million, and non-comparable charges in operating expenses of $4.0 million. Restructuring and other non-recurring charges of $18.0

million include $4.8 million for non-cancelable lease agreements and related facility asset write-downs for the consolidation/closure of three manufacturing facilities and 14 sales/administration offices, $12.4 million of severance costs for the elimination of 358 positions, $0.5 million for legal and professional services and $0.3 million in non-recurring relocation transition costs.

During the third quarter of 2001, Snap-on incurred non-recurring charges of $12.4 million comprised of $2.1 million for inventory write-downs associated with the restructuring activities and $10.3 million for additional inventory write-downs and warranty costs associated with the company's previously announced exiting of an unprofitable segment of the emissions-testing business in the fourth quarter of 2000. Snap-on recorded charges for expected losses on the disposition of discontinued inventory, extended warranty costs and other asset impairments related to this exit plan in December 2000. Snap-on's decision to exit this segment of the emissions-testing business was prompted by continued changes in technology and emissions regulations at both the state and federal levels. During 2001, Snap-on has experienced higher than expected warranty costs and increased difficulty in collecting accounts receivable. As a result, Snap-on revised its cost estimates relative to the emissions exit plan and recorded additional non-recurring charges in the third quarter of 2001 of $10.3 million for the disposition of discontinued inventory and for additional warranty costs as part of its exit strategy. Snap-on also recorded $4.0 million of non-comparable costs in operating expenses for emissions-related bad debts.

The composition of Snap-on's restructuring charge activity for the nine months ended September 29, 2001, was as follows:

	Restructuring Reserve			
(Amounts in millions)	Balance as of December 30, 2000	Additions	Usage	Balance as of September 29, 2001
Expenditures for severance and facility consolidation/closure costs	$ -	$19.1	$ (6.2)	$12.9
Loss on write-down of assets	-	4.6	(4.6)	-
Total	$ -	$23.7	$(10.8)	$12.9

For the first nine months of 2001, Snap-on recorded restructuring and non-recurring charges totaling $44.8 million before tax ($29.8 million after tax), comprised of restructuring and non-recurring charges of $32.4 million ($23.7 million of restructuring charges and $8.7 million of non-recurring charges) and non-recurring charges in cost of goods sold of $12.4 million. The restructuring charges of $23.7 million are for the consolidation/closure of 26 facilities, comprised of seven manufacturing facilities and 19 sales/administration offices, and includes $13.5 million for severance costs associated with the elimination of 456 positions, $9.5 million for non-cancelable lease agreements and related facility asset write-downs, and $0.7 million for other exit-related costs related to legal and professional services. Severance costs provided for worldwide salaried and hourly employees relate to facility closures, consolidation and streamlining initiatives. The non-recurring charges of $8.7 million include $8.4 million for management transition costs associated with the April 2001 retirement of Snap-on's president and chief executive officer and the appointment of Dale F. Elliott, Snap-on's president - diagnostics and industrial, as successor to this position and $0.3 million for equipment relocation transition costs. The non-recurring charges of $12.4 million reflect $2.1 million for inventory write-downs associated with the restructuring activities and $10.3 million of additional inventory write-downs and warranty costs associated with the company's exiting of a segment of the emissions-testing business.

As of September 29, 2001, 74 employees have been separated from the company and severance payments of $1.8 million have been made in conjunction with the company's 2001 restructuring activities. Snap-on believes that the restructuring reserve balance of $12.9 million at September 29, 2001 is adequate to complete all announced activities and anticipates that all announced actions will be completed by the end of the third quarter of 2002.

Snap-on expects to fund cash requirements of its 2001 restructuring activities with cash flows from operations and borrowings under the company's existing credit facilities. The specific restructuring measures and estimated costs were based on management's best business judgment under prevailing circumstances.

For the first nine months of 2001, Snap-on recorded $10.1 million of non-comparable costs consisting of $4.0 million in operating expenses for emissions-related bad debts and $6.1 million (consisting of $1.5 million cost of goods sold and $4.6 million in operating expenses) associated with the termination of an European equipment supplier agreement.

Other

Net finance income was $7.7 million and $27.7 million for the third quarter and first nine months of 2001, a decline from $8.4 million and $30.6 million in the comparable prior-year periods. The decrease in both periods is a result of lower originations related to the soft demand for capital-type equipment and diagnostics products, partially offset by a more favorable interest-rate environment. The decrease for the nine-month period also reflects the inclusion of deferred income in 2000 from the sale of extended-credit receivables associated with the formation of the credit joint venture in 1999.

Interest expense for the third quarter of 2001 was $9.1 million, a decrease of $1.2 million from the prior-year period. For the first nine months of 2001, interest expense of $27.2 million was down $4.0 million from $31.2 million for the first nine months of 2000. The decrease in interest expense in both periods is the result of lower debt levels and lower average interest rates in 2001, as compared to the prior year.

Other income (expense) - net was an expense of $0.8 million in the third quarter of 2001, as compared to income of $1.3 million in the third quarter of 2000. For the first nine months of 2001, other income (expense) - net was expense of $0.5 million, as compared to income of $3.2 million in 2000. The change in other income (expense) for both periods reflects the impact of all non-operating items such as interest income, minority interests, disposal of fixed assets, exchange rate transactions, hedging gains and losses, gains from life insurance policies and other miscellaneous items.

The effective tax rate, before cumulative effect, restructuring, non-recurring and other non-comparable items, was 36.5% for both the third quarter and first nine months of 2001 and 2000. The tax rate on the third quarter 2001 restructuring, non-recurring and other non-comparable charges of $34.4 million was 32.3%. Including these charges, Snap-on's overall effective tax rate, before cumulative effect of accounting change, was 81.3% in the third quarter of 2001 and 40.7% for the first nine months of 2001. For 2000, the effective tax rate, before cumulative effect of accounting change, was 36.5% for both the third quarter and first nine months of 2000.

FINANCIAL CONDITION

Cash and cash equivalents were $5.5 million at the end of the third quarter, down slightly from $6.1 million at the end of 2000. Net cash provided by operating activities decreased to $74.5 million for the first nine months of 2001, as compared to $115.1 million in the comparable prior-year period, primarily due to the year-over-year decline in earnings. Working capital of $666.4 million at the end of the third quarter increased $18.0 million from $648.4 million at year-end 2000.

The total-debt-to-total-capital ratio at the end of the third quarter of 2001 was 39.5%, as compared to 41.1% in the prior-year period, and 39.2% at year-end 2000. Total invested capital was $1,349.3 million, down $38.0 million from year-end 2000. Total short-term and long-term debt was $532.6 million at the end of the third quarter, as compared to $543.3 million at year-end 2000 and $593.2 at the end of the third quarter of 2000. Total debt levels decreased $10.7 million from year-end and decreased $60.6 million from prior year, reflecting the increased focus on strengthening cash flow.

At September 29, 2001, Snap-on had $458.3 million of multi-currency revolving credit facilities to support its commercial paper programs. In August 2001, Snap-on issued $200 million of notes pursuant to a shelf registration statement previously filed with the Securities and Exchange Commission in 1994. The registration allowed Snap-on to issue up to $300 million of unsecured indebtedness to the public. In October 1995, Snap-on issued $100 million of unsecured notes to the public under this shelf registration statement. The August 2001 notes require semiannual interest payments at the rate of 6.25% and mature in their entirety on August 15, 2011. The October 1995 notes require semiannual interest payments at a rate of 6.625% and mature in their entirety on October 1, 2005.

Accounts receivable at the end of the third quarter were $622.4 million, down $22.1 million compared with year-end 2000 due to lower sales volumes.

Inventories were up $10.7 million to $429.6 million at the end of the third quarter from $418.9 million at the end of 2000, reflecting normal increases to support the higher seasonal fourth quarter level of sales activity.

Capital expenditures were $33.6 million for the first nine months of 2001, compared with $42.4 million in the same period a year ago. Expenditures primarily represent ongoing replacements and upgrades of manufacturing and distribution facilities and equipment, and additional upgrades to computer systems resulting from ongoing business requirements or restructuring initiatives. For the full year 2001, Snap-on anticipates capital expenditures will be in the range of $45 million to $50 million, down from $57.6 million in 2000.

Snap-on believes it has sufficient sources of liquidity to support working capital requirements, finance capital expenditures, make acquisitions, repurchase common stock and pay dividends.

Share repurchase: Snap-on has undertaken stock repurchases from time to time to prevent dilution created by shares issued for employee and dealer stock purchase plans, stock options, and other corporate purposes, as well as to repurchase shares when market conditions are favorable. During the third quarter of 2001, Snap-on repurchased 135,000 shares of common stock for $3.3 million under its previously announced share repurchase programs. In total, Snap-on repurchased 300,000 shares for $8.2 million in the first nine months of 2001, with approximately $131 million of common stock authorized and remaining available for repurchase. Since 1995, Snap-on has repurchased 9,889,583 shares for $305.2 million.

Foreign currency: Snap-on operates in a number of countries and, as a result, is exposed to changes in foreign currency exchange rates. Most of these exposures are managed on a consolidated basis to take advantage of natural offsets. To the extent that net exposures are hedged, forward contracts are used. Refer to Note 4 for a discussion of Snap-on's accounting policies for the use of derivative instruments.

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. Snap-on's operating subsidiaries have developed plans to address the systems and business issues affected by the euro currency conversion. These issues include, among others, (i) the need to adapt computer and other business systems and equipment to accommodate euro-denominated transactions, and (ii) the competitive impact of cross-border price transparency, which may affect pricing strategies. Snap-on does not expect this conversion to have a material impact on its financial condition or results of operations.

Outlook: The continued uncertain economic environment will likely temper the traditional seasonal strength in sales during the fourth quarter. Stable demand is expected to provide flat to slightly increased year-over-year sales in the worldwide Snap-on Dealer Group, while continued weak economic conditions are likely to cause a modest sales decline in the Commercial and Industrial Group. Margins are expected to improve sequentially, benefiting from the ongoing review of costs and savings in operational fitness initiatives. Assuming no further disruption or economic deterioration and continued currency stability, earnings in the fourth quarter before special charges are expected to be in a range of $0.52 to $0.57 per share.

Total special charges for 2001 are expected to be within the previously announced range of $65 million to $75 million. Significant progress is being made to enhance the operational performance throughout the company, with much of the benefit to begin in 2002.

Further improvements are expected in 2002, as Snap-on realizes continuing benefits from its cost reduction and growth initiatives, partially offset by investment spending that will enhance long-term profitable growth. Current economic conditions are likely to continue to challenge sales growth, particularly in the first half of 2002. Assuming no improvement in economic conditions and continued stable currency translation, sales are anticipated to increase only slightly. Operating earnings are expected to increase over 2001 reflecting the cost savings of internally driven activities, with goodwill on a comparable basis in both years. (Snap-on will adopt SFAS No. 142, "Goodwill and Other Intangible Assets" at the beginning of its 2002 fiscal year, and currently estimates that the impact of discontinuing goodwill amortization will approximate $15 million on an annualized basis. Snap-on is currently evaluating what additional impacts may result from adopting this standard.)

Safe Harbor: Statements in this news release that are not historical facts, including statements (i) that include the words "believes," "expects," "likely," "targets," "anticipates," or "estimates" or similar words that reference Snap-on or its management; (ii) specifically identified as forward-looking; or (iii) describing Snap-on's or management's future outlook, plans, objectives or goals, are forward-looking statements. Snap-on or its representatives may also make similar forward-looking statements from time to time orally or in writing. Snap-on cautions the reader that these statements are subject to risks, uncertainties or other factors that could cause (and in some cases have caused) actual results to differ materially from those described in any such statement. Those important factors include the timing and progress with which Snap-on can continue to achieve higher productivity and attain further cost reductions, including the acceleration of expense adjustments in response to revenue changes; Snap-on's ability to adapt to management changes as part of the management succession process, to retain and attract dealers, and to withstand external negative factors including changes in trade, monetary and fiscal policies, laws and regulations, or other activities of governments or their agencies; terrorist disruptions on business, and the absence of significant changes in the current competitive environment, inflation, energy supply or pricing, legal proceedings, supplier disruptions, currency fluctuations or the material worsening of economic and political situations around the world. These factors may not constitute all factors that could cause actual results to differ materially from those discussed in any forward-looking statement. Snap-on operates in a continually changing business environment and new factors emerge from time to time. Snap-on cannot predict such factors nor can it assess the impact, if any, of such factors on Snap-on's financial position or its results of operations. Accordingly, forward-looking statements should not be relied upon as a prediction of actual results. Snap-on disclaims any responsibility to update any forward-looking statement provided in this news release.

Item 3: Quantitative and Qualitative Disclosures About Market Risk

Snap-on 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. Snap-on does not use derivative instruments for trading purposes.

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

The estimated maximum potential one-day loss in fair value, calculated using the VAR model, at September 29, 2001, was $1.9 million on interest-rate-sensitive financial instruments, and $1.0 million on foreign-currency-sensitive financial instruments.

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

PART II. OTHER INFORMATION

Item 6: Exhibits and Reports on Form 8-K

Item 6(a): Exhibits

(10.1) Amended and Restated 364-Day Credit Agreement between the Corporation and Salomon Smith Barney Inc., Banc One Capital Markets Inc., Citibank, N.A. and Bank One, N.A.

(10.2) Executive Employment Agreement between Frederick D. Hay and the Corporation

(12) Computation of Ratio of Earnings to Fixed Charges

Item 6(b): Reports on Form 8-K Filed During the Reporting Period

During the third quarter of 2001, Snap-on reported on Form 8-K the following:

Date Filed	Date of Report	Item
August 16, 2001	August 14, 2001	Item 5. Snap-on agreed to sell $200 million aggregate principal amount of its 6.25% Notes due August 15, 2011 in a public offering.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, Snap-on Incorporated has duly caused this report to be signed on its behalf by the undersigned duly authorized person.

SNAP-ON INCORPORATED

Date: November 12, 2001 /s/ Blaine A. Metzger

Blaine A. Metzger, Principal Accounting Officer,
Vice President and Controller

EXHIBIT INDEX

Exhibit Number	Description
(10.1)	Amended and Restated 364-Day Credit Agreement between the Corporation and Salomon Smith Barney Inc., Banc One Capital Markets Inc., Citibank, N.A. and Bank One, N.A.
(10.2)	Executive Employment Agreement between Frederick D. Hay and the Corporation
(12)	Computation of Ratio of Earnings to Fixed Charges

U.S. $250,000,000

AMENDED AND RESTATED 364-DAY CREDIT AGREEMENT

Dated as of August 20, 2001

Among

SNAP-ON INCORPORATED

as Borrower

and

THE INITIAL LENDERS NAMED HEREIN

as Initial Lenders

and

SALOMON SMITH BARNEY INC.

as Lead Arranger and Book Manager

and

BANC ONE CAPITAL MARKETS INC.

as Co-Arranger

and

CITIBANK, N.A.

as Agent

and

BANK ONE, NA

as Syndication Agent

Amended and Restated Credit Agreement

AMENDED AND RESTATED 364-DAY CREDIT AGREEMENT

Dated as of August 20, 2001

SNAP-ON INCORPORATED, a Delaware corporation (the "Borrower"), the banks, financial institutions and other institutional lenders (collectively, the "Initial Lenders") party hereto, CITIBANK, N.A., as administrative agent (together with any successor thereto appointed pursuant to Article VII of the Existing Credit Agreement referred to below, the "Agent") for the Lenders (as defined in the Existing Credit Agreement referred to below) , SALOMON SMITH BARNEY INC., as Lead Arranger and Book Manager, BANC ONE CAPITAL MARKETS INC., as Co-Arranger, and BANK ONE, NA, as Syndication Agent hereby agree as follows:

PRELIMINARY STATEMENTS

(1) The Borrower is party to an Amended and Restated 364-Day Credit Agreement dated as of August 21, 2000, which amended and restated the 364-Day Credit Agreement dated as of August 23, 1999 (as amended, supplemented or otherwise modified from time to time to (but not including) the date of this Amendment and Restatement, the "Existing Credit Agreement") with the banks, financial institutions and other institutional lenders party thereto and Citibank, N.A., as Agent for the Lenders, Salomon Smith Barney Inc., as Lead Arranger and Book Manager, Banc One Capital Markets Inc., as Co-Arranger, and Bank One, NA, as Syndication Agent. Capitalized terms not otherwise defined in

this Amended and Restated 364-Day Credit Agreement (this "Amendment and Restatement") shall have the same meanings as specified in the Existing Credit Agreement.

(2) The parties to this Amendment and Restatement desire to amend the Existing Credit Agreement as set forth herein and to restate the Existing Credit Agreement in its entirety to read as set forth in the Existing Credit Agreement with the following amendments.

(3) The Borrower has requested that the Lenders agree to extend credit to it from time to time in an aggregate principal amount of U.S. $250,000,000 for general corporate purposes of the Borrower and its Subsidiaries not otherwise prohibited under the terms of this Agreement. The Lenders have indicated their willingness to agree to extend credit to the Borrower from time to time in such amount on the terms and conditions of this Amendment and Restatement.

SECTION 1. Amendments to the Existing Credit Agreement. (a) Section 1.01 of the Existing Credit Agreement is, effective as of the date of this Amendment and Restatement and subject to the satisfaction of the conditions precedent set forth in Section 2, hereby amended by deleting the definitions of "Applicable Margin", "Applicable Percentage", "Committed Currencies", "Commitment", "Lenders" and "Termination Date" set forth therein and adding the following definitions thereto:

> "Applicable Margin" means (a) for Base Rate Advances, 0% per annum and (b) for Eurocurrency Rate Advances, as of any date prior to the Term Loan Conversion Date, 0.195% per annum and, as of any date on and after the Term Loan Conversion Date, 0.55% per annum.
>
> "Applicable Percentage" means 0.055% per annum.
>
> "Commitment" means as to any Lender (a) the Dollar amount set forth opposite such Lender's name on Schedule I hereto, (b) if such Lender has become a Lender hereunder pursuant to an Assumption Agreement, the Dollar amount set forth in such Assumption Agreement or (c) if such Lender has entered into any Assignment and Acceptance, the Dollar amount set forth for

> such Lender in the Register maintained by the Agent pursuant to Section 8.07(d), as such amount may be reduced pursuant to Section 2.05.
>
> "Committed Currencies" means lawful currency of the United Kingdom of Great Britain and Northern Ireland, lawful currency of the Swiss Federation, lawful currency of Canada, lawful currency of Australia, lawful currency of Japan, lawful currency of the European Economic and Monetary Union and any other currency that is freely convertible into Dollars and available to all Lenders.
>
> "Lenders" means, collectively, each Initial Lender, each Assuming Lender that shall become a party hereto pursuant to Section 2.18 and each Person that shall become a party hereto pursuant to Section 8.07.
>
> "Termination Date" means the earlier of (a) August 19, 2002, subject to extension thereof pursuant to Section 2.18 and (b) the date of termination in whole of the Commitments pursuant to Section 2.05 or 6.01; provided, however, that the Termination Date of any Lender that is a Non-Consenting Lender to any requested extension pursuant to Section 2.18 shall be the Termination Date in effect immediately prior to the applicable Extension Date for all purposes of this Agreement.

(b) Section 4.01(e) of the Existing Credit Agreement is amended by (i) deleting the date "December 31, 1999" and substituting therefor the date "December 31, 2000" and (ii) deleting the date "June 30, 2000" and substituting therefor the date "June 30, 2001".

(c) Section 8.07(a) is amended by deleting the amount "$3,000" and substituting therefor the amount "$3,500".

(d) Schedule I to the Existing Credit Agreement is, effective as of the date of this Amendment and Restatement and subject to the satisfaction of the conditions precedent set forth in Section 2, deleted in its entirety and replaced with Schedule I to this Amendment and Restatement.

SECTION 2. Conditions of Effectiveness of this Amendment and Restatement. This Amendment and Restatement shall become effective as of the date first above written (the "Restatement Effective Date") when and only if:

(a) The Agent shall have received counterparts of this Amendment and Restatement executed by the Borrower and all of the Initial Lenders or, as to any of the Initial Lenders, advice satisfactory to the Agent that such Initial Lender has executed this Amendment and Restatement.

(b) On the Restatement Effective Date, the following statements shall be true and the Agent shall have received for the account of each Lender a certificate signed by a duly authorized officer of the Borrower, dated the Restatement Effective Date, stating that:

(i) The representations and warranties contained in Section 4.01 of the Existing Credit Agreement are correct on and as of the Restatement Effective Date, as though made on and as of such date: and

(ii) No event has occurred and is continuing, or shall occur as a result of the occurrence of the Restatement Effective Date, that constitutes a Default.

(c) The Agent shall have received on or before the Restatement Effective Date the following, each dated such date and (unless otherwise specified below) in form and substance satisfactory to the Agent and in sufficient copies for each Initial Lender:

(i) The Revolving Credit Notes to the order of the Lenders to the extent requested by any Lender pursuant to Section 2.16 of the Existing Credit Agreement.

(ii) Certified copies of the resolutions of the Board of Directors of the Borrower approving this Amendment and Restatement and the Notes, and of all documents evidencing other necessary corporate action and governmental approvals, if any, with respect to this Amendment and Restatement and the Notes.

(iii) A certificate of the Secretary or an Assistant Secretary of the Borrower certifying the names and true signatures of the officers of the Borrower authorized to sign this Amendment and Restatement and the Notes and the other documents to be delivered hereunder.

(iv) A favorable opinion of Susan F. Marrinan, General Counsel of the Borrower, and a favorable opinion of Foley & Lardner, counsel to the Borrower, substantially in the form of Exhibit D-1 and Exhibit D-2 to the Existing Credit Agreement, respectively, and as to such other matters as any Lender through the Agent may reasonably request.

SECTION 3. Reference to and Effect on the Existing Credit Agreement and the Notes. (a) On and after the effectiveness of this Amendment and Restatement, each reference in the Existing Credit Agreement to "this Agreement", "hereunder", "hereof" or words of like import referring to the Existing Credit Agreement, and each reference in the Notes to "the Credit Agreement", "thereunder", "thereof" or words of like import referring to the Existing Credit Agreement, shall mean and be a reference to the Existing Credit Agreement, as amended by this Amendment and Restatement.

(b) The Existing Credit Agreement and the Notes, as specifically amended by this Amendment and Restatement, are and shall continue to be in full force and effect and are hereby in all respects ratified and confirmed.

(c) Without limiting any of the other provisions of the Existing Credit Agreement, as amended by this Amendment and Restatement, any references in the Existing Credit Agreement to the phrases "on the date hereof", "on the date of this Agreement" or words of similar import shall mean and be a reference to the date of the Existing Credit Agreement (which is August 23, 1999).

SECTION 4. Costs and Expenses. The Borrower agrees to pay on demand all reasonable out-of-pocket costs and expenses of the Agent in connection with the preparation, execution, delivery and administration, modification and amendment of this Amendment and Restatement, the Notes and the other documents to be delivered hereunder (including, without limitation, the reasonable and documented fees and expenses of counsel for the Agent with respect hereto and thereto) in accordance with the terms of Section 8.04 of the Existing Credit Agreement.

SECTION 5. Execution in Counterparts. This Amendment and Restatement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Amendment

and Restatement by telecopier shall be effective as delivery of a manually executed counterpart of this Amendment and Restatement.

SECTION 6. Governing Law. This Amendment and Restatement shall be governed by, and construed in accordance with, the laws of the State of New York.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment and Restatement to be executed by their respective officers thereunto duly authorized, as of the date first above written.

THE BORROWER

SNAP-ON INCORPORATED

By /s/ Denis J. Loverine

Title: Treasurer

THE AGENT

CITIBANK, N.A.,
as Agent

By /s/ David L. Harris

Title: Vice President

INITIAL LENDERS

CITIBANK, N.A.

By /s/ David L. Harris

Title: Vice President

BANK ONE, NA

By /s/ Jenny A. Gilpin

Title: Director, Capital Markets

SVENSKA HANDELSBANKEN AB

By /s/

Title: Senior Vice President

By /s/ Henrik Jensen

Title: Vice President

THE DAI-ICHI KANGYO BANK, LTD.

By /s/ Nobuyasu Fukatsu

Title: General Manager

BANK OF AMERICA, N.A.

By /s/ M.H. Claggett

Title: Managing Director

BARCLAYS BANK PLC

By /s/ Nicholas A. Bell

Title: Director Loan Transaction Management

THE NORTHERN TRUST COMPANY

By /s/ Laura Watzke

Title: Credit Portfolio Manager

BANCO BILBAO VIZCAYA ARGENTARIA

By /s/ Santiago Hernandez

Title: Vice President Corporate Banking

By /s/ John Martini

Title: Vice President Corporate Banking

BANCA NAZIONALE DEL LAVORO S.P.A.,
NEW YORK BRANCH

By /s/ Juan J. Cortes

Title: Vice President

By /s/ Leonardo Valentini

Title: First Vice President

FIRSTAR BANK, N.A.

By /s/ Janell W. Stanosz

Title: Assistant Vice President

SCHEDULE I
TO THE
AMENDMENT AND RESTATEMENT

COMMITMENTS AND APPLICABLE LENDING OFFICES

Name of Initial Lender	Commitment	Domestic Lending Office	Eurocurrency Lending Office

Bank of America, N.A.	$20,000,000	1850 Gateway Blvd. Concord, CA 94520 Attn: Debbie Conchongco T: 925 675-8913 F: 925 675-7539	1850 Gateway Blvd. Concord, CA 94520 Attn: Debbie Conchongco T: 925 675-8913 F: 925 675-7539
Barclays Bank PLC	$30,000,000	222 Broadway New York, NY 10038 Attn: C. Tenn T: 212 412-3728 F: 212 412-5308	222 Broadway New York, NY 10038 Attn: C. Tenn T: 212 412-3728 F: 212 412-5308
Citibank, N.A.	$32,500,000	Two Penns Way New Castle, DE 19720 Attn: Maureen Prytula T: 302 894-6089 F: 302 894-6120	Two Penns Way New Castle, DE 19720 Attn: Maureen Prytula T: 302 894-6089 F: 302 894-6120
Firstar Bank Milwaukee, N.A.	$12,500,000	777 E. Wisconsin Ave. Milwaukee, WI 53202 Attn: Bruce Anthony T: 414 765-4724 F: 414 765-5367	777 E. Wisconsin Ave. Milwaukee, WI 53202 Attn: Bruce Anthony T: 414 765-4724 F: 414 765-5367
Bank One, NA	$30,000,000	1 Bank One Plaza, Suite 0088 Chicago, IL 60670 Attn: Edna Guerra T: 312 732-9609 F: 312 732-2715	1 Bank One Plaza, Suite 0088 Chicago, IL 60670 Attn: Edna Guerra T: 312 732-9609 F: 312 732-2715
Svenska Handelsbanken AB (publ)	$30,000,000	153 East 53rd Street New York, NY 10022 Attn: Henrik Jenson T: 212 326-5125 F: 212 326-5151	153 East 53rd Street New York, NY 10022 Attn: Henrik Jenson T: 212 326-5125 F: 212 326-5151
Dai-Ichi Kangyo Bank Ltd.	$30,000,000	10 S. Wacker Drive Chicago, IL 60608 Attn: Michael Pleasants T: 312 715-6361 F: 312 876-2011	10 S. Wacker Drive Chicago, IL 60608 Attn: Michael Pleasants T: 312 715-6361 F: 312 876-2011

Banca Nazionale del Lavoro S.p.A., New York Branch	$25,000,000	25 West 51st Street New York, NY 10019 Attn: Thomas Badolato T: 212 314-0632 F: 212 713-1683	25 West 51st Street New York, NY 10019 Attn: Thomas Badolato T: 212 314-0632 F: 212 713-1683
The Northern Trust Company	$25,000,000	50 S. LaSalle Street Chicago, IL 60675 Attn: Linda Honda T: 312 444-3532 F: 312 630-1566	50 S. LaSalle Street Chicago, IL 60675 Attn: Linda Honda T: 312 444-3532 F: 312 630-1566
Banco Bilbao Vizcaya Argentaria	$15,000,000	1345 Avenue of the Americas, 45th Floor New York, NY 10005 Attn: Miguel Lara T: 212 728-1652 F: 212 333-2904	1345 Avenue of the Americas, 45th Floor New York, NY 10005 Attn: Miguel Lara T: 212 728-1652 F: 212 333-2904

Total Commitment = U.S. $ 250,000,000

EXECUTIVE EMPLOYMENT AGREEMENT

THIS AGREEMENT is made as of July 15, 2001, by and between Snap-on Incorporated (the "Company"), a Delaware corporation, and Frederick D. Hay (the "Executive").

W I T N E S S E T H

WHEREAS, the Executive has been employed by the Company for many years in a key capacity, and he possesses an intimate knowledge of the business and affairs of the Company, its policies, methods, and personnel;

WHEREAS, the Executive's services are valuable to the conduct of the business of the Company;

NOW, THEREFORE, in consideration of the covenants and agreements of the parties herein contained, the parties hereto agree as follows:

1. Employment and Duties.

(a) The Company hereby agrees to employ the Executive on the terms and conditions set forth herein, and the Executive hereby agrees to remain in the employment of the Company on such terms and conditions. The Executive shall serve in such additional offices of the Company to which the Executive may be duly appointed or elected. The Executive shall perform such duties as shall be assigned to him from time to time by its President, or by such other officers of the Company, if any, to whom the Board of Directors provides the Executive shall report. The Executive agrees to devote his full business time and effort to the diligent and faithful performance of such duties. The Executive's duties are described in more detail in Attachment (1) to this Agreement. During the term of the Executive's employment hereunder, he shall continue as an officer of the Company and be entitled to such benefits and participation in such compensation plans as are consistent with his position with the Company and the terms of this Agreement. His services will be provided at the Company's headquarters in Kenosha, Wisconsin or at such other place as may be mutually agreed upon by the parties.

2. Term.

(a) The term of Executive's employment hereunder shall commence on the date hereof and shall continue until February 1, 2002 ("Termination Date"). Executive's last day of active employment is estimated to be October 1, 2001.

(b) In the event of termination of Executive's employment without cause (including termination by reason of death or disability) by the Company during the term, Executive's salary and benefits shall continue to the end of the term and he shall be entitled to the payments and rights set forth in Paragraph 3(b).

(c) The parties agree that at the termination of Executive's employment on the Termination Date, he will be considered as being retired for purposes of the Company's Deferred Compensation and subject to the retirement eligibility requirements of all other plans and will not be entitled to any further severance payments from the Company except as provided herein and in accordance with the terms of those plans.

3. Compensation.

(a) As compensation for his performance of services as an employee hereunder, Executive shall be entitled to receive an annual base salary at the rate of Four Hundred Thirty-Four Thousand Dollars ($434,000.00) payable in accordance with the Company's standard payroll practices. During the term hereof, Executive shall be eligible to continue to participate in the 2001 Officer Incentive Compensation Plan. Executive shall not be entitled to participate in the Intermediate Officer Incentive Compensation Plan.

(b) Upon satisfactory completion of the duties listed in Attachment (1), Executive shall be given the option to:

(i) receive as additional compensation a payment from the Company in the amount of Five Hundred Thousand Dollars ($500,000.00)

("Additional Compensation")payable prior to February 2, 2002,

(ii) Executive hereby elects to have the Additional Compensation when payable, credited into a cash account under the Snap-on Incorporated Deferred Compensation Plan, as amended, ("Deferred Comp Plan").

(c) Upon execution of an agreement in the form attached as Exhibit A releasing all claims against Company ("Release Agreement"), on or about February 1, 2002, Executive shall:

(i) receive as additional compensation a payment from the Company in the amount of Sixty Thousand Dollars ($60,000.00) ("Release Payment") payable within 14 days from execution of the Release Agreement,

(ii) Executive hereby elects to have the Release Payment, when payable, credited into a cash account under the Deferred Comp Plan prior to February 2, 2002.

(d) Executive shall be given the opportunity to exercise his current incentive stock options for a period of 3 months from the Termination Date.

(e) Executive shall be given the opportunity to exercise non-qualified stock options for a period of up to 3 years from Termination Date.

(f) The payments provided in paragraphs (b) and (c) above shall constitute Other Compensation under the Company's Deferred Comp Plan.

4. Termination of Employment.

(a) The Executive's employment shall terminate, or be subject to termination, prior to the term specified in Paragraph 2 hereof, as follows:

(i) Death. The Executive's employment hereunder shall terminate upon his death.

(ii) Disability. In the event the Executive becomes totally physically or mentally disabled (as determined by the Company) the Company may, at its option, terminate the Executive's employment hereunder upon not less than ten (10) days' written notice.

(iii) Cause. The Company may, at any time, terminate the Executive's employment hereunder for Cause. For the purposes of this Agreement, the term "Cause" shall mean (1) the commission of a felony or a crime involving moral turpitude or the commission of any other act or omission involving dishonesty, disloyalty or fraud with respect to the Company or any of its affiliates or any of their customers or suppliers, (2) conduct tending to bring the Company or any of its affiliates into substantial public disgrace or disrepute, (3) substantial and repeated failure to perform duties as reasonably directed by the Company, or (4) gross negligence or willful misconduct with respect to the Company or any of its affiliates.

(b) Cessation of Salary and Benefits After Termination. In the event of the termination of the Executive's employment for Cause all payments of salary and benefits under Paragraph 3 hereof shall cease.

5. Restrictive Covenants

(a) Non-Competition. For a period 24 months from Termination, Executive shall not, directly or indirectly, engage, whether as an employee, employer, consultant, advisor or director, or as an owner, investor, partner or stockholder (unless Executive's interest is insubstantial), in any business in an area or region in which the Company or any subsidiary or affiliate then conducts business, which business is directly in competition with a business then conducted by the Company or a subsidiary or affiliate. For purposes of this section, Executive's interest as a stockholder shall be considered insubstantial if such interest represents beneficial ownership of less than five percent of the outstanding class of stock, and Executive's interest as an owner, investor or partner shall be considered insubstantial if such interest represents ownership of less than five percent of the outstanding equity of the entity.

(b) Non-Solicitation. For a period of 24 months from termination, Executive shall not, directly or indirectly, whether as employee, employer, consultant, advisor or director, or as an owner, investor, partner, stockholder or otherwise, (i) solicit or induce any client or customer of the Company or a subsidiary or affiliate, or entity with which the Company or a subsidiary or affiliate has a business relationship, to curtail, cancel, not renew or not continue his or her or its business with the Company or any subsidiary or affiliate, (ii) hire any person who is then an employee of or a consultant or independent contractor to, the Company or a subsidiary or affiliate or (iii) solicit or induce any person who is an employee of, or a consultant or independent contractor to, the Company or a subsidiary or affiliate to curtail, cancel, not renew or not continue his or her or its employment, consulting or other relationship with the Company or any subsidiary or affiliate.

(c) Confidentiality. Except pursuant to the performance of Executive's duties to the Company prior to Termination Date or with the consent of the Company, Executive shall not take, disclose, use, sell or otherwise transfer any confidential or proprietary information of the Company or any subsidiary or affiliate, including but not limited to information regarding the negotiation of this Agreement, current and potential customers, clients, counterparts, organization, employees, finances and financial results, and methods of operation, transactions and investments, so long as such information has not otherwise been disclosed to the public or is not otherwise in the public domain, except as required by law or pursuant to legal process; and Executive shall return to the Company, promptly following termination of employment, any information, documents, materials, data, manuals, computer programs or device containing information relating to the Company or any subsidiary or affiliate, and each of their customers, clients and counterparts, which came into Executive's possession or control during Executive's employment.

(d) Cooperation with the Company. Executive shall cooperate fully with the Company in the defense or prosecution of any claims or actions now in existence or which may be brought in the future against or on behalf of the Company or its subsidiaries or affiliates which relate to events or occurrences that transpired while Executive was employed by the Company. Executive's full cooperation in connection with such claims or actions shall include, but not be limited to, being available to meet with counsel to prepare for discovery or trial and to act as a witness on behalf of the Company and its subsidiaries and affiliates at mutually convenient times. Subsequent to the Terminate Date, the Company shall reimburse Executive at a rate of $125 per hour, plus any reasonable out-of-pocket expenses, incurred in connection with Executive's performance of obligations pursuant to this Section 5(d). To the maximum extent permitted by law, Executive agrees that Executive will notify me or, following termination of employment, the General Counsel of the Company if Executive is contacted by any government agency relating to a matter involving the Company, by any other person contemplating or maintaining any claim or legal action against the Company or its subsidiaries and affiliates, or by any agent or attorney of such person.

(e) Prior Approval. If Executive intends to enter into employment or otherwise provide services to any entity or undertake any other activities that Executive believes may be in conflict with Executive's duties and obligations under either Section 5(a) or 5(b), Executive may

request that the Company consider whether such services or activities would violate such provisions. Any such request must be in writing, must identify the entity or entities for which services would be performed (or any entities that may be implicated in any such other activities) and when Executive would propose to commence such services (or undertake such activities), and include a brief description of the principal business conducted by such entity and the reason that Executive believes such services or activities might be in conflict with the requirements of Section 5(a) or 5(b). The Company shall make a reasonable, good faith effort to review and assess such request and respond to Executive within a reasonable period of time after receipt thereof, and promptly upon reaching any conclusion with respect thereto, shall advise Executive in writing whether it will consider any such services to violate any such provision. Notwithstanding the foregoing, (i) this Section 5(e) shall not be construed to obligate the Company to respond to any such request within any specific time period and (ii) the absence of any response from the Company with respect to such a request shall not be construed as affirming or denying the application of the covenants contained in Section 5(a) or 5(b) to such services or activities.

6. Ownership of Developments .

(a) Due to the competitive environment within which the Company operates, new Ideas and Inventions are critical to its continued success. It is important that the Company maintain ownership of such Ideas and Inventions generated during employment. Executive shall promptly disclose such Ideas and Inventions to the Company. Executive agrees that he shall, and does hereby, assign to the Company all rights and interests in and to all Ideas and Inventions (as defined herein) made or conceived by Executive during the course of his employment. Ideas and Inventions shall become the sole, exclusive and absolute property of the Company and are considered by the Company to be Confidential Information. Ideas and Inventions include all creative work product; including, but not limited to, ideas, concepts, processes, improvements, developments, discoveries, designs, business programs, computer programs, software, data, data analysis, data compilations, etc. Ideas and Inventions are limited to those which relate to current activities of the Company or reasonable extensions or expansions of the Company's activities.

(b) Executive acknowledges that Ideas and Inventions do not always become fully recognized in a short period of time. Thus, to provide the Company the full benefit of Executive's activities during employment with the Company, Executive agrees to treat post-employment Ideas and Inventions the same as Ideas and Inventions made or conceived during employment, that is, in accordance with Paragraphs 6 (a) and (c). Post-employment Ideas and Inventions are limited to those made or conceived by Executive within nine (9) months after termination of Executive's employment with the Company.

(c) Executive further agrees to disclose and deliver to the Company any and all drawings, notes, specifications, memoranda, computer programs, software, data, data analysis, data compilations and other writings contained in any information media relating to such Ideas and Inventions, to cooperate fully during Executive's employment and thereafter in securing patent rights in any and all countries, and to give evidence and testimony and execute and deliver to the

Company all papers requested by it in connection herewith. The provisions of this Paragraph remain valid beyond the termination of Executive's employment with the Company.

(d) The assignment of Ideas and Inventions provisions contained in Paragraphs 6 (a), (b) and (c) does NOT apply to Ideas and Inventions which were developed entirely on Executive's own time without using the Company's equipment, supplies, facilities or trade secret information; however such Ideas or Inventions are to be assigned as in Paragraphs 6 (a), (b) and (c) if either of the following is true:

(i) the Idea or Invention relates, at the time of conception or reduction to practice, to the Company's business, or to actual or demonstrated anticipated research or development of the Company; or

(ii) the Idea or Invention results from any work performed by Executive for the Company.

7. Notices. For the purposes of this Agreement, notices and all other communications under this Agreement shall be in writing and shall be deemed to have been duly given when delivered personally or by a recognized overnight mail service or mailed by United States certified or registered mail, return receipt requested, postage prepaid, addressed as follows:

If to the Executive: Frederick D. Hay

If to the Company: Snap-on Incorporated
10801 Corporate Drive
Pleasant Prairie, WI 53158

Attention: Dale F. Elliott, President & C.E.O.

or to such other address as either party may have furnished to the other in writing in accordance herewith, except that notices of change of address shall be effective only upon receipt.

8. Miscellaneous.

(a) No provisions of this Agreement may be amended unless such amendment is agreed to in writing signed by the parties hereto.

(b) No waiver by any party hereto of any breach of, or compliance with, any condition or provision of this Agreement by the other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. No such

waiver shall be enforceable unless expressed in a written instrument executed by the party against whom enforcement is sought.

(c) This Agreement constitutes the entire agreement of the parties on the subject matter hereof and no agreements or representations, oral or otherwise, expressed or implied, with respect to the subject matter hereof have been made by either party which are not set forth expressly in this Agreement. This Agreement supercedes Executive's Severance Agreement dated October 27, 2000, which is hereby null and void. Executive's Restated Senior Officer Agreement dated February 1, 1996, will become null and void, without further notice, on his Termination Date.

(d) This Agreement shall be binding upon and inure to the benefit of the Company, its successors and assigns, and Executive and his heirs, executors, administrators and legal representatives.

(e) The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of Wisconsin applicable to contracts made and to be performed therein between residents thereof.

(f) This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original but all of which together shall constitute one and the same instrument.

(g) This Agreement has been jointly drafted by the respective representatives of the Company and Executive and no party shall be considered as being responsible for such drafting for the purpose of applying any rule construing ambiguities against the drafter or otherwise. No draft of this Agreement shall be taken into account in construing this Agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first above written.

EXECUTIVE

/s/ Frederick D. Hay

Date: August 20, 2001

COMPANY

By: /s/ Dale F. Elliott

Dale F. Elliott

Title: President and CEO

Date: August 16, 2001

Attachment #1

PRIORITIES FOR F. HAY

2001

Objective
1.) Completion of the worldwide mechanics tools strategy: A.) Proposed manufacturing footprint and decision process. B.) Develop distribution based brand strategy, worldwide. C.) Define clear principals on cost accounting between units. D.) Create support structure for third party sourcing activities. E.) Create time schedule and plan for any necessary realignment.
2.) Develop plan for transition of J. Lane and OE business. A.) Develop search criteria and begin process. B.) Facilitate introductions to key Ford Personnel.
3.) Complete special charge actions as defined.
4.) Ensure that NA Bahco - Snap-on project continues on schedule.
5.) Continue to monitor inventory reduction program.
6.) Finalize WMS productivity solution.
7.) Finalize corporate quality, standards organization. A.) Malek job description. B.) Quality organization.
8.) Facilitate transition of responsibility to new person.

RELEASE AGREEMENT

THIS RELEASE AGREEMENT ("Agreement") is entered into as of this ____ day of ____________, 2002, ("Agreement Date") by and between Snap-on Incorporated, a Delaware corporation, (the "Company") and Frederick D. Hay ("Executive").

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

1. Consideration and Benefits.

(a) Consideration. In consideration for this Release Agreement, Company agrees to pay Executive Sixty Thousand Dollars ($60,000), approximately 14 days from the execution of this Release Agreement ("Release Payment"). The Release Payment is eligible for deferral in accordance with the terms of the Executive Employment Agreement dated July 15, 2001 between the Company and Executive.

(b) Vacation. Executive affirms that he has used all of his accrued vacation time prior to execution of this Agreement.

(c) Retirement Benefits. Nothing in this Agreement shall be deemed to affect any rights Executive may have under the Company's Qualified Pension Plan for Administrative Field Employees and the Snap-on Incorporated Supplemental Retirement Plan for Officers.

(d) Employee Stock Ownership Plan. Executive shall not be eligible to participate in the Company's 2001-2002 Employee Stock Ownership Plan ("ESOP"). Executive shall be refunded any contributions he made to the ESOP in accordance with the terms of the ESOP.

2. Release of the Company by Executive. Executive with the intention of binding himself, his heirs, executors, administrators and assigns, does hereby release, acquit and forever

discharge the Company and all of their past, present and future officers, directors, employees, shareholders, agents, successors, assigns, attorneys, and employee benefit plans and programs, of and from all manner of actions, causes of action, arbitrations, suits, debts, sums of money, accounts, reckonings, bonds, covenants, controversies, agreements, promises, damages, judgments, charges, claims and demands whatsoever that Executive now has or may have for actions, inactions or omissions of the Company on or prior to the date of his execution of this Agreement, both known and unknown, including, but not limited to, any claims of employment discrimination under federal, state or local laws, claims under the Age Discrimination in Employment Act, claims under the Employee Retirement Income Security Act, claims under the Fair Employment Laws, any claimed violations of statute, any violations of public policy, and any tort, contract, quasi-contract or other common law claims; provided, however, that the foregoing release shall not apply to: (i) any breach by the Company of this Agreement; (ii) Executive's rights to any accrued benefits under any employee benefit plans (including retirement plans, deferred compensation and/or split dollar insurance plans); (iii) any claims which may arise after the date this Agreement is signed; (iv) any claim Executive may have for indemnification pursuant to the Bylaws of the Company; (v) any vacation pay that is accrued and unpaid; or (vi) Executive's rights under the Executive Employment Agreement dated July 15, 2001. Executive expressly gives up any and all rights to any benefits otherwise payable under any of the Company's severance plans or policies. The Company understands and agrees that the releases set forth herein do not in any way affect the rights of Executive to take whatever steps may be necessary to enforce the terms of this Agreement or to obtain relief in the event of the breach of the terms of this Agreement. The parties acknowledge that this release only applies to matters which arose on or prior to the date on which this agreement is signed.

3. Confidentiality of Terms; No Disparagement.

(a) Executive and the Company expressly acknowledge that this Agreement and all matters relating to or leading up to the negotiation and effectuation of this Agreement, are confidential and shall be accorded the utmost confidentiality and shall not be disclosed to any third party except to Executive's wife, his legal, actuarial, pension, accounting and tax advisors and to the executives and administrative personnel of the Company with a need to know (including the Audit Committee) to the extent necessary to perform services or as required by law, rule or regulation. Executive and the Company also agree that if any disclosure is made as permitted under this paragraph, then such persons or entities shall be cautioned about the confidentiality obligations imposed by this Agreement and required to abide by the terms of this confidential undertaking. The parties have agreed upon the language attached hereto as Exhibit 1, as the only announcement or communication that may be made to the employees of the Company and the public.

(b) Executive agrees that he will conduct himself in a professional manner and not make any disparaging, negative or other statements regarding the Company, its affiliates or any of the Company's or its affiliates' officers, directors or employees which could reasonably be believed in any way to have an adverse effect on the business or affairs of the Company or its affiliates or otherwise be injurious to or not be in the best interests of the Company, its affiliates or any such other persons. The Company agrees that it will conduct itself in a professional manner and not make any disparaging, negative or other statements regarding Executive which could in any way have an adverse affect on Executive or his reputation or otherwise be injurious to Executive. The parties agree that truthful testimony in legal proceedings of any nature whatsoever shall not, and cannot, constitute disparagement under this paragraph.

4. Advice of Counsel. Executive represents and warrants that he has read this Agreement, that he has had adequate time to consider it, that he had been advised by the Company

to consult with an attorney and has consulted with an attorney prior to executing this Agreement, that he understands the meaning and application of this Agreement and that he has signed this Agreement knowingly, voluntarily and of his own free will with the intent of being bound by it.

5. Right of Revocation. Executive will have the right to revoke this Agreement for a period of seven days after he has signed it. Any revocation should be communicated in writing by personal delivery or by first-class mail to:

Gerald J. Heinz
Corporate Counsel
Snap-on Incorporated
P. O. Box 1410
2810 - 80th Street
Kenosha, WI 53141-1410

If Executive does not exercise his right to revoke this Agreement, it will become effective on the eighth day after he has signed it.
EXECUTIVE ACKNOWLEDGES THAT HE WAS GIVEN, PRIOR TO SIGNING THIS AGREEMENT, A PERIOD OF AT LEAST 45 DAYS FROM DELIVERY TO HIM OF THIS AGREEMENT WITHIN WHICH TO CONSIDER THIS AGREEMENT.

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

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

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

8. Assisting Litigation. Executive shall assist the Company in connection with its litigation matters (or the litigation matters of its parent companies, subsidiaries and/or joint ventures), that are now pending or that may be filed in the future. Executive shall be paid $125.00 per hour and be reimbursed for travel and other reasonable out-of-pocket expenses related to assisting the Company in litigation. Executive's services in connection with this paragraph

shall include, but not shall not be limited to: attending meetings with the Company's lawyers; attending interviews, depositions, hearings and trials; reviewing documents; and performing such other services in connection with such matters as may be reasonably requested by the Company and its lawyers. Executive agrees not to aid in, assist in, or encourage the pursuit of, litigation against Snap-on by any other person or entity.

9. Return of Property. Executive represents and warrants that (i) on or before the expiration of the revocation period in Paragraph 5 above, he returned to the President and Chief Executive Officer or his designee any and all files or other property of the Company including, but not limited to, any and all financial records and data, personnel information, personal files that contain Company files, personal equipment (including pagers, personal computers), business strategies and plans, product development information, computer programs (including the software and data used in all such programs), research projects, and business information concerning the Company's products, production, developments, costs, purchasing, pricing, profits, markets, sales,

accounts, customers, financing, expansions, and other information relating to Company's or any of its affiliates' business practices, strategies or policies (all hereinafter referred to as the "Company Property"); and (ii) other than his attorney he has neither given to any third party nor any longer has in his possession any Company Property. Executive agrees that he will promptly deliver to the Company any Company Property coming into his possession hereafter.

10. Entire Agreement. Executive and the Company each represent and warrant that no promise or inducement has been offered or made except as set forth herein and that the consideration stated herein is the sole consideration for this Agreement. The parties agree that it is their intent that this Agreement be fair and reasonable to both parties, and both parties further agree that the provisions of this Agreement shall be construed and enforced in accordance with the laws of the State of Wisconsin.

Executive	Snap-on Incorporated
______________________________	By: __________________________________ Dale F. Elliott
	Title: President and CEO
Date: ________________________	Date: ____________________________

Exhibit (12)

SNAP-ON INCORPORATED
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
(Amounts in millions)

	Thirteen Weeks Ended		Thirty-nine Weeks Ended	
	September 29, 2001	September 30, 2000	September 29, 2001	September 30, 2000
Net Earnings	$ .6	$ 28.4	$ 36.4	$134.8
Adjustments:				
Income taxes	2.6	16.3	26.7	63.0
Minority interest in earnings of consolidated subsidiaries	.6	.5	1.6	1.7
Cumulative effect	-	-	2.5	(25.4)
Earnings as Defined	3.8	45.2	67.2	174.1
Fixed Charges:				
Interest on debt	9.1	10.3	27.2	31.2
Interest element of rentals	1.3	1.3	3.9	3.9
Total Fixed Charges	10.4	11.6	31.1	35.1
Total Adjusted Earnings Available for Payment of Fixed Charges	$ 14.2	$ 56.8	$ 98.3	$ 209.2
Ratio of Earnings to Fixed Charges	1.4	4.9	3.2	6.0

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