

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 OCTOBER 1, 1994

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.)

2801 - 80th Street, Kenosha, Wisconsin 53141-1410

(Address of principal executive offices) (zip code)

Registrant's telephone number, including area code: (414) 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 issuer's classes of
common stock, as of the latest practicable date:

Class	Outstanding at October 28, 1994
Common Stock, \$1.00 par value	42,865,796 Shares

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PART I. FINANCIAL INFORMATION

SNAP-ON INCORPORATED CONSOLIDATED BALANCE SHEETS (Amounts in Thousands)

	(Unaudited) October 1, 1994 -----	January 1, 1994 -----
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 12,802	\$ 6,729
Receivables Less Allowances	538,522	539,949
Inventories:		
Finished Stock	195,200	185,260
Work-in-Process	18,214	19,292
Raw Materials	39,339	44,550
Total Inventories	252,753	249,102
Prepaid Expenses and Other Assets	62,046	58,818
Total Current Assets	866,123	854,598
PROPERTY AND EQUIPMENT - AT COST		
Land	18,756	27,209
Buildings and Improvements	129,373	142,438
Machinery and Equipment	284,237	282,222
	432,366	451,869
Less Accumulated Depreciation	(232,646)	(227,059)
Total Property and Equipment	199,720	224,810
Deferred Income Tax Benefit	58,011	53,819

Intangible and Other Assets	87,381	85,706
	-----	-----
TOTAL ASSETS	\$1,211,235	\$1,218,933
	-----	-----

The accompanying notes are an integral part of these statements.

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SNAP-ON INCORPORATED
CONSOLIDATED BALANCE SHEETS
(Amounts in Thousands)

	(Unaudited)	
	October 1,	January 1,
	1994	1994
	-----	-----
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Notes Payable	\$ 25,131	\$ 66,288
Accounts Payable	37,231	57,280
Accrued Compensation	32,965	33,515
Accrued Retirement Plans, Insurance and Other	82,215	80,327
Accrued Income Taxes	11,852	8,474
Dealer Deposits	62,645	62,153
	-----	-----
Total Current Liabilities	252,039	308,037
Long-Term Debt, Less Current Maturities	88,430	99,683
Deferred Income Taxes	4,625	7,413
Retiree Health Care Benefits - Long-Term	73,732	70,791
Pension - Long-Term	38,887	31,346
	-----	-----
TOTAL LIABILITIES	457,713	517,270
SHAREHOLDERS' EQUITY		
Preferred Stock - Authorized 15,000,000 shares of \$1 par value; none outstanding	-	-
Common Stock - Authorized 125,000,000 shares of \$1 par value; issued and outstanding - October 1, 1994, 42,860,668 shares; January 1, 1994, 42,818,696 shares	43,111	42,819
Additional Contributed Capital	61,052	52,153
Retained Earnings	669,039	632,022
Foreign Currency Translation Adjustment	(10,368)	(16,019)
Less: Treasury Stock (250,000 shares)	(9,312)	(9,312)
	-----	-----
TOTAL SHAREHOLDERS' EQUITY	753,522	701,663
	-----	-----
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	\$1,211,235	\$1,218,933
	-----	-----

The accompanying notes are an integral part of these statements.

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SNAP-ON INCORPORATED
CONSOLIDATED STATEMENTS OF EARNINGS
(Amounts in Thousands Except Per Share Data)
(Unaudited)

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	October 1, 1994	October 2, 1993	October 1, 1994	October 2, 1993
Net Sales	\$278,359	\$271,096	\$875,888	\$814,488
Cost of Goods Sold	137,588	130,337	425,560	387,952
Gross Profit	140,771	140,759	450,328	426,536
Operating Expenses	108,924	106,050	336,166	324,138
Other Income (Expense) - Net	1,536	(3,355)	(3,192)	(7,488)
Earnings Before Income Taxes	33,383	31,354	110,970	94,910
Income Taxes	10,677	10,818	39,331	33,508
Net Earnings	\$ 22,706	\$ 20,536	\$ 71,639	\$ 61,402
Earnings Per Weighted Average Common Share	\$.53	\$.48	\$ 1.68	\$ 1.44
Dividends Declared Per Common Share (Note 3)	\$ -	\$ -	\$.81	\$.81
Weighted Average Common Shares Outstanding	42,765	42,552	42,765	42,552

The accompanying notes are an integral part of these statements.

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

Thirty-Nine Weeks Ended
October 1, October 2,
1994 1993

	-----	-----
CASH PROVIDED FROM OPERATIONS		
Net Earnings	\$ 71,639	\$ 61,402
Depreciation	20,741	21,993
Amortization	2,702	2,057
Deferred Income Taxes	(8,046)	(6,212)
Gain on Sale of Assets	(76)	(402)
Gain on Disposition of Business	(2,804)	-
Changes in Operating Assets and Liabilities:		
Decrease in Receivables	1,507	4,347
(Increase) Decrease in Inventories	1,637	(51,352)
Increase in Prepaid Expenses	(7,054)	(12,021)
Decrease in Accounts Payable	(20,180)	(3,780)
Increase (Decrease) in Accruals, Deposits and Other Long-Term Liabilities	15,710	(6,944)
	-----	-----
NET CASH PROVIDED BY OPERATING ACTIVITIES	75,776	9,088
INVESTING ACTIVITIES		
Capital Expenditures	(27,287)	(22,423)
Acquisition of Business	(4,141)	(14,645)
Disposition of Business	26,611	-
Disposal of Property and Equipment	9,178	5,933
Increase in Other Noncurrent Assets	(4,681)	(799)
	-----	-----
NET CASH USED IN INVESTING ACTIVITIES	(320)	(31,934)
FINANCING ACTIVITIES		
Payment of Long-Term Debt	(578)	(978)
Increase in Long-Term Debt	196	8,478
Increase (Decrease) in Notes Payable	(42,111)	2,409
Proceeds from Stock Plans	9,191	10,150
Cash Dividends Paid	(34,623)	(34,453)
	-----	-----
NET CASH USED IN FINANCING ACTIVITIES	(67,925)	(14,394)
EFFECT OF EXCHANGE RATE CHANGES	(1,458)	(4,861)
	-----	-----
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	6,073	(42,101)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	6,729	58,973
	-----	-----
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$12,802	\$16,872
	-----	-----

The accompanying notes are an integral part of these statements.

1. This report should be read in conjunction with the consolidated financial statements and related notes included in Snap-on Incorporated's Annual Report for the year ended January 1, 1994.

In the opinion of management, all adjustments (consisting only of normal recurring adjustments) necessary to a fair statement of results of operations for the thirteen and thirty-nine weeks ended October 1, 1994 have been made. Management also feels that the results of operations for the thirteen and thirty-nine weeks ended October 1, 1994 are not necessarily indicative of the results to be expected for the full year.

2. Snap-on Incorporated 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 statements and, correspondingly, three regular quarterly dividends appearing in the first twenty-six weeks' statements.
3. Income taxes paid for the nine-month periods ended October 1, 1994 and October 2, 1993 were \$47.6 million and \$52.5 million, respectively.
4. Interest paid for the nine-month periods ended October 1, 1994 and October 2, 1993 was \$8.7 million and \$8.8 million, respectively.
5. On September 14, 1994, the Company acquired the assets and assumed certain liabilities of Wheel Tronic, Inc., a division of Derlan Manufacturing, Inc. Wheel Tronic manufactures high-quality, above-ground lifts for the automotive repair market. Pro forma results of operations are not shown as the effect would not be material.
6. Systems Control, Inc., acquired as part of the Sun Electric purchase in 1992, was sold on September 29, 1994. This divestiture resulted in a pretax gain of \$2.8 million and contributed \$.05 to earnings per share for the quarter. The sale of this business did not have a significant impact on the Company's financial position and will not significantly impact ongoing results of operations.
7. On November 10, 1994, the Company acquired Sioux Tools, Inc., a leading maker of portable electric and pneumatic tools primarily for the industrial market. Pro forma results of operations are not shown as the effect would not be material.

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SNAP-ON INCORPORATED

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

OVERVIEW: Net earnings for the third quarter of 1994 rose 10.6% from the third quarter last year, on a net sales increase of 2.7%. The sale of Systems Control, Inc. contributed \$.05 to earnings per share in the quarter. Nine-month 1994 net earnings increased 16.7%, on a net sales increase of 7.5%. Third quarter gross profit margins remained strong, but declined slightly from a year ago due primarily to lower manufacturing activity levels to reduce inventories.

SALES: Net sales for the third quarter were \$278.4 million compared with \$271.1 million for the third quarter last year. Nine-month net sales were \$875.9 million, up from \$814.5 million for the same period in 1993.

North American sales for the third quarter 1994 increased 4.9% to \$227.0 million from the \$216.5 million reported during the third quarter last year. Nine-month North American sales were \$679.7 million, or a 5.0% improvement over the same period last year. The core transportation and equipment business in the United

States remained solid with a 5% sales increase in the quarter. For the quarter, Canadian sales were up 2% in U.S. dollars and 7% in local currency.

European sales decreased 17.5% to \$34.4 million in the third quarter 1994 from \$41.7 million a year ago. The year-ago quarter included sales related to Germany's emissions-testing program, which began in September 1993 and was completed during the second quarter 1994. European sales for the first nine months were \$150.2 million, or a 16.4% improvement from the \$129.1 million reported in 1993. Sales for the first six months of 1994 benefited from Germany's emissions-testing program.

Other International sales improved 31.0% to \$16.9 million in the third quarter 1994 from \$12.9 million in 1993. For the first nine months of 1994, Other International sales increased 21.7% to \$46.0 million from \$37.8 million.

EARNINGS: On a per share basis, third quarter earnings increased to \$.53 up from \$.48 in the same period last year. Earnings per share for the first nine months of 1994 rose to \$1.68 from \$1.44 in 1993. The sale of Systems Control, Inc. contributed \$.05 to earnings per share for the quarter. (See note number 6.)

OTHER INCOME AND EXPENSES: During the quarter, the Company benefited from the sale of Systems Control, Inc., a subsidiary of Sun Electric and a provider of centralized emissions testing services. The pretax gain on the sale amounted to \$2.8 million.

OPERATING EXPENSES: Operating expenses in the third quarter 1994 were \$108.9 million versus \$106.1 million in the third quarter 1993. As a percentage of net sales, third quarter operating expenses were 39.1% in both 1994 and 1993. Operating expenses for the first nine months were \$336.2 versus \$324.1 million for the same period last year. As a percentage of net sales, nine-month operating expenses decreased to 38.4% from 39.8% in 1993.

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FINANCIAL CONDITION

OVERVIEW: Snap-on Incorporated finished the third quarter in strong financial condition. The Company continues to generate positive cash flow, reduce short-term debt, and increase working capital.

LIQUIDITY: Working capital increased to \$614.1 million during the quarter from \$546.6 million at the end of 1993. The ratio of current assets to current liabilities was 3.4 to 1 at the end of the quarter compared with 2.8 to 1 at the end of 1993. Cash and short-term investments increased to \$12.8 million at the end of the third quarter from \$6.7 million at the end of 1993. At the end of the quarter, the Company had contractually committed bank lines of credit totaling \$150 million, of which \$49.9 million was unused and available for short-term borrowings. Cash from operations, coupled with these sources of borrowing, are sufficient to support current and future working capital requirements, finance capital expenditures, and pay dividends.

In addition, on September 23, 1994, the Company filed a \$300 million shelf registration of debt securities with the SEC that gives the Company financing flexibility to operate the business.

ACCOUNTS RECEIVABLE: Accounts receivable decreased slightly in the third quarter to \$538.5 million compared to \$539.9 million at the end of 1993. The majority of accounts receivable involve customers' extended credit purchases of higher-value products. Other receivables include those from dealers, industrial and international customers, and government.

INVENTORIES: Inventories increased slightly during the first nine months to \$252.8 million, up from \$249.1 million at the end of 1993.

LIABILITIES: Short-term debt at the end of the third quarter was \$25.6 million

compared with \$68.3 million at the end of 1993. Long-term debt as a percentage of shareholders' equity was 11.7% compared with 14.2% at the end of 1993. Total long-term debt stands at \$88.4 million down from \$99.7 million at year-end 1993. The Company has no plans for additional long-term debt at this time.

INTEREST EXPENSE: Interest expense for the third quarter 1994 was \$2.9 million compared with \$2.6 million for the same period last year. For the first nine months, interest expense was \$9.1 million compared with \$8.0 million last year. The increase is due to the rise in short-term interest rates.

EFFECTIVE TAX RATE: The effective tax rate was 32.0% for the quarter and 35.4% year-to-date, compared with 34.5% and 35.3% for the same periods last year. The lower rate for the quarter was related to the sale of Systems Control, Inc. (see note number 6), reduced state income taxes as a percentage of consolidated net income and a reduction in foreign losses without tax benefits.

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PART II. OTHER INFORMATION

ITEM 6: EXHIBITS AND REPORTS ON FORM 8-K

ITEM 6(A): EXHIBITS

None.

ITEM 6(B): REPORTS ON FORM 8-K

No reports on Form 8-K for the three months ended October 1, 1994 were required to be filed.

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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 persons.

SNAP-ON INCORPORATED

Date: November 14, 1994 /s/ R. A. CORNOG

R. A. CORNOG
(Chairman, President and Chief Executive Officer)

Date: November 14, 1994 /s/ G. D. JOHNSON

G. D. JOHNSON
(Principal Accounting Officer and Controller)

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<ARTICLE> 5

<LEGEND>

This schedule contains summary financial information extracted from the Consolidated Balance Sheets and Consolidated Statements of Operations found on pages 3, 4 and 5 of the Company's Form 10-Q for the year-to-date, and is qualified in its entirety by reference to such financial statements.

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