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

FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the fiscal year ended December 30, 2000

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

Commission File Number 1-7724

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

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

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

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

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

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

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

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

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

Aggregate market value of voting stock held by non-affiliates of the registrant at February 26, 2001:
$1,687,772,001

Number of shares outstanding of each of the registrant's classes of common stock at February 26, 2001:
Common stock, $1 par value, 57,795,506 shares

Documents incorporated by reference

Portions of Snap-on's Annual Report to Shareholders for the fiscal year ended December 30, 2000, are incorporated by reference into Parts I, II and IV of this report.

Portions of Snap-on's Proxy Statement, dated March 16, 2001, prepared for the Annual Meeting of Shareholders scheduled for April 27, 2001, are incorporated by reference into Part III of this report.

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PART I

Item 1: Business

Snap-on Incorporated ("Snap-on") was incorporated under the laws of the state of Wisconsin in 1920 and reincorporated under the laws of the state of Delaware in 1930. A leading global developer, manufacturer and marketer of professional tool, diagnostic and equipment solutions for the professional tool user, Snap-on's mission is to delight its customers by providing innovative and productivity-enhancing products, services and solutions. Long known as a quality and performance leader in professional tools and tool storage, Snap-on offers a wide range of capabilities and solutions for professional tool users in a variety of applications worldwide. Product lines include hand and power tools, tool storage products, shop equipment, saws and cutting tools, pruning tools, under-hood diagnostics equipment, under-car equipment, safety-testing equipment, collision repair equipment, vehicle service information, business management systems, services and other solutions for the transportation service, industrial, agricultural, and other commercial industries. Snap-on's customers include professional automotive technicians, independent automotive repair and body shops, franchised service centers, national accounts, specialty repair shops, original equipment manufacturers, industrial distributors, home centers, hardware and tool specialty stores, and industrial, agricultural, and commercial tool and equipment users worldwide.

Snap-on markets its products and brands through multiple distribution channels in more than 150 countries. Snap-on's largest geographic markets include the United States, Australia, Brazil, Canada, France, Germany, Japan, Mexico, the Netherlands, Spain, Sweden and the United Kingdom. The originator of the dealer van distribution channel, Snap-on also reaches its customers through company direct and distributor channels where appropriate. In 2000, Snap-on also began

selling product via the Internet as part of its "Store Without Walls" vision. Through the launch of its new Web site, current and prospective customers in the United States now have 24-hour, 7-days a week, online access to purchase Snap-on(R) products.

Snap-on has two business segments: the Snap-on Dealer Group (formerly Global Transportation), which serves the worldwide franchised dealer van channel, and the Commercial and Industrial Group (formerly Global Operations), which serves the non-dealer tool and equipment products businesses. Snap-on's segments are based on the organization structure that is used by management for making operating and investment decisions, and for assessing performance. These two segments derive revenues primarily from the sale of tools and equipment. In addition to its manufacturing, marketing and distribution operations, Snap-on also offers financing for the purchase of its products through a 50%-owned financial services joint venture and through its wholly owned credit subsidiaries. For additional information about Snap-on's business segments, customers, domestic and international operations and products and services, see Note 16 entitled "Segments" on pages 42 and 43 of Snap-on's 2000 Annual Report, incorporated herein by reference.

During 2000, Snap-on acquired full ownership of two business operations. The aggregate cash purchase price of these acquisitions, plus costs related to the finalization of 1999 acquisitions, was $11.9 million. Each of the acquisitions provided Snap-on with a complementary product line, new customer relationships, access to additional distribution and/or extended geographic reach. These acquisitions were accounted for under the purchase method of accounting and the impact of these acquisitions on 2000 results of operations was not significant.

Also during 2000, Snap-on divested Windsor Forestry Tools Inc. ("Windsor"), which was acquired as part of the Bahco Group AB ("Bahco") acquisition. As Windsor was accounted for as "held for sale" in accordance with Accounting Principles Board Opinion No. 16, it has had no impact on Snap-on's Consolidated Statements of Earnings. The sale of Windsor resulted in cash proceeds of $15.5 million and a resulting adjustment to goodwill. Bahco, a leading manufacturer and supplier of professional tools, was acquired by Snap-on on September 30, 1999. Bahco(R) products are manufactured at 11 plants in Sweden, the United States, Argentina, the United Kingdom, France, Germany and Portugal.

Products and Services

Snap-on derives revenue from the manufacture, marketing and distribution of its products and related services. Snap-on's two business segments offer a broad line of products and complementary services that can be divided into two groups: tools and equipment. The following table shows the consolidated sales of these product groups in the last three years:

Product Group (Amounts in millions)	Net Sales 2000	1999	1998
Tools	$1,343.5	$1,149.3	$ 918.5
Equipment	832.2	796.3	854.1
	$2,175.7	$1,945.6	$1,772.6

The tools product group includes hand tools, power tools and tool storage products. Hand tools include wrenches, screwdrivers, sockets, pliers, ratchets, saws and cutting tools, pruning tools and other similar products. Power tools include pneumatic (air), cordless (battery) and corded (electric) tools such as impact wrenches, ratchets, chisels, drills, sanders, polishers and similar products. Tool storage units include tool chests, roll cabinets and other similar products. The majority of products are manufactured by Snap-on and in completing the product line, some items are purchased from external manufacturers.

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

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

Trademarks	Products and Services
Snap-on	Hand tools, power tools, tool storage units, diagnostics and certain equipment
Blue-Point	Hand tools, power tools, tool storage units
Acesa	Hand tools
Bahco	Hand tools
Fish and Hook	Hand tools
Irimo	Hand tools
Lindstrom	Hand tools
Palmera	Hand tools
Pradines	Hand tools
Sandflex	Hand tools

Trademarks	Products and Services
Williams	Hand tools
ATI Tools	Tools and equipment
Sioux	Power tools
Sun	Diagnostics and service equipment
White	Equipment to recover, recycle and recharge refrigerant in vehicle air-conditioning systems and other fluid handling equipment
John Bean	Under-car and other service equipment
Wheeltronic Ltd.	Hoists and lifts for vehicle service shops
Texo Sollevatori	Hoists and lifts for vehicle service shops
Hofmann	Wheel balancers, lifts, tire changers and aligners
GS	Wheel-service equipment

Cartec	Safety-testing and other equipment
Blackhawk	Collision repair equipment
Brewco	Collision repair equipment
Hein-Werner	Collision repair equipment
Mitchell Repair	Repair and service information and shop management systems
ShopKey	Repair and service information and shop management systems
EquiServ	Equipment maintenance and service
Equipment Solutions	Vehicle manufacturer facilitation services

Income is also derived from the financing of Snap-on's products through a 50%-owned financial services joint venture and through its wholly owned credit subsidiaries. Snap-on utilizes various financing programs to facilitate the sales of its products. To reduce asset intensity from financing activities, Snap-on established a joint venture with Newcourt Finance USA Inc. ("Newcourt") in January 1999 (on November 15, 1999, Newcourt was acquired by The CIT Group, Inc.). The joint venture, Snap-on Credit LLC ("the LLC"), is a 50%-owned joint venture that provides financial services to Snap-on's domestic dealer and customer network. As a result of establishing the joint venture, Snap-on effectively outsourced to the LLC its domestic captive credit function that was previously managed by a wholly owned subsidiary, Snap-on Credit Corporation. Additional information about the LLC is provided in Note 6 entitled "Accounts Receivable" on page 34 of Snap-on's 2000 Annual Report, incorporated herein by reference.

Extended credit contracts are offered to technicians to enable them to purchase tools and equipment that can be used to generate income while they pay for the products over time. Lease financing is also offered to shop owners, both independent and national chains, who purchase equipment items, which are typically of a higher-price-point than tool products. The duration of lease contracts is often two-to-three times that of extended credit contracts. Financing is also made available to new dealers, whereby a 10-year loan is originated to enable the dealer to fund the purchase of the franchise and the related working capital needs, primarily inventory and customer receivables.

Currently, the majority of finance income is derived from the vehicle service industry in North America. Internationally, Snap-on continues to directly provide financing to its dealer and customer network through its wholly owned credit facilities.

Distribution and Sales

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

Vehicle Service and Repair Sector

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

Snap-on provides innovative tool and equipment solutions, as well as technical sales support and training, to meet technicians' evolving needs. Snap-on's

dealer van distribution system offers technicians the convenience of purchasing quality tools with minimal disruption of their work routine. Snap-on also serves owners and managers of shops where technicians work with tools, diagnostics equipment, repair and service information, and shop management products. Snap-on provides vehicle manufacturers with products and services including tools, consulting services and facilitation services. Snap-on's facilitation services include product procurement, distribution and administrative support to customers for their dealerships' equipment programs.

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

Industrial Sector

Snap-on markets its products to a wide variety of industrial customers including industrial maintenance and repair facilities; manufacturing and assembly operations; government facilities; schools; and original equipment manufacturers that require instrumentation or service tools and equipment for their products.

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

Distribution Channels

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

Dealer and Tech Rep Organizations

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

Since 1991, all new U.S. dealers, and a majority of the pre-1991 U.S. dealers, have been enrolled as franchisees of Snap-on. Snap-on charges nominal initial and ongoing monthly license fees. Through the LLC, financial assistance is provided to newly converted franchised dealers and other new franchise dealers, which could include financing for initial license fees, inventory, revolving accounts receivable, equipment, fixtures, other expenses and an initial checking account deposit. At year-end 2000, approximately 91% of all U.S. dealers were enrolled as franchisees, versus approximately 90% in 1999.

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

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

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

Company Direct Sales

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

Tools and equipment are marketed to industrial and governmental customers in the United States through industrial sales representatives, who are employees, and independent industrial distributors. In most markets outside the United States, industrial sales are conducted through distributors. The sales representatives focus on industrial customers whose main purchase criteria are quality and service. At the end of 2000, Snap-on had industrial sales representatives in the United States, Australia, Canada, Japan, Mexico, Puerto Rico, and some European countries, with the United States representing the majority of Snap-on's total industrial sales.

Distributors

Sales of certain tools and equipment are made through vehicle service and industrial distributors who purchase the items from Snap-on and resell them to the end users. Products supplied by Bahco, under the Bahco, Fish and Hook, Sandflex, Pradines and Lindstrom brands and trade names, for example, are sold through distributors in Europe, North and South America, Asia and certain other parts of the world. Under-car and other vehicle service equipment, sold through distributors primarily under brands including John Bean and Hofmann, as well as hand tools under the Irimo, Palmera and Acesa brands, are differentiated from those products sold through the dealer, tech rep and direct sales channels. Sun-branded equipment is marketed through distributors in South America and Asia, and through both a direct sales force and distributors in Europe. In addition, through its J.H. Williams division, Snap-on manufactures specially designed products for Lowe's Companies Inc. under the Lowe's brand name, known as Kobalt(TM), which are marketed in more than 600 Lowe's outlets.

E-commerce

Snap-on's e-commerce development initiatives are expected to allow Snap-on to match the capabilities of the Internet with Snap-on's existing brand sales and distribution strengths and to reach new and under-served customer segments. During 2000, Snap-on launched its public Web site, www.snapon.com. The site features an online catalog containing more than 14,000 products, including Snap-on hand tools, power tools, tool storage units and diagnostic equipment

available to consumers and professionals in the United States. A dealer sales portal was also introduced during 2000 that enhances the interaction and communications between Snap-on and its dealers. These initiatives, and other system enhancements under development, are designed to further leverage the one-on-one relationships and service Snap-on has with its current as well as prospective customers. Through the development of its business-to-business and business-to-consumer capabilities, Snap-on and its dealers will be enlarging communications with customers on a real-time, 24-hour, 7-days a week basis.

Competition

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

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

Raw Materials and Purchased Product

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

Approximately 84% of 2000 consolidated net sales consisted of products manufactured by Snap-on, while the remaining 16% consisted of products purchased from outside suppliers. No single supplier's products accounted for a material portion of 2000 consolidated net sales.

Patents and Trademarks

Snap-on vigorously pursues and relies on patent protection to protect its inventions and its position in its markets. As of December 30, 2000, Snap-on and its subsidiaries held 1,149 patents worldwide, with another 832 pending patent applications. No sales relating to any single patent represented a material portion of Snap-on's revenues in 2000.

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

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

Trademarks used by Snap-on are of continuing importance to Snap-on in the marketplace. Trademarks have been registered in the United States and over 100 other countries, and additional applications for trademark registrations are pending. Snap-on vigorously polices proper use of its trademarks. Snap-on's right to manufacture and sell certain products is dependent upon licenses from others, however, these products do not represent a material portion of Snap-on's sales.

Working Capital

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

Snap-on's use of working capital is discussed in "Management's Discussion and Analysis of Results of Operations and Financial Condition," on pages 23 and 24 of Snap-on's 2000 Annual Report and is incorporated herein by reference.

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

Environment

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

Employees

At the end of February 2001, Snap-on employed approximately 14,000 people, of whom approximately 40% are engaged in manufacturing activities.

Item 2: Properties

Snap-on maintains both leased and owned manufacturing, warehouse distribution and office facilities throughout the world. Snap-on believes that its facilities are well maintained and have adequate capacity to meet its present and foreseeable future demand. Snap-on's U.S. facilities occupy approximately 4.5 million square feet, of which 71% is owned. Snap-on's facilities outside the United States contain approximately 4.0 million square feet, of which 66% is owned. Included are Snap-on's owned corporate and general offices located in Pleasant Prairie and Kenosha, Wisconsin, respectively.

The following table provides information about each of Snap-on's principal manufacturing locations and distribution centers:

Location	Type of property	Owned/Leased
U.S. Locations:		
Conway, Arkansas	Manufacturing	Owned
City of Industry, California	Manufacturing	Leased
Escondido, California	Manufacturing	Owned
Poway, California	Distribution and manufacturing	Leased
San Jose, California	Manufacturing	Leased
Columbus, Georgia	Distribution and manufacturing	Owned
Crystal Lake, Illinois	Distribution	Owned
Mt. Carmel, Illinois	Manufacturing	Owned
Algona, Iowa	Manufacturing	Owned

Location	Type of property	Owned/Leased
Sioux City, Iowa	Manufacturing	Owned
Olive Branch, Mississippi	Distribution	Leased and owned
Carson City, Nevada	Distribution	Leased and owned
Murphy, North Carolina	Manufacturing	Leased
Robesonia, Pennsylvania	Distribution	Owned

Elizabethton, Tennessee	Manufacturing	Owned
Johnson City, Tennessee	Manufacturing	Owned
Baraboo, Wisconsin	Manufacturing	Leased
East Troy, Wisconsin	Manufacturing	Leased and owned
Elkhorn, Wisconsin	Manufacturing	Owned
Kenosha, Wisconsin	Manufacturing	Owned
Milwaukee, Wisconsin	Manufacturing	Owned
Non-U.S. Locations:		
Santo Tome, Argentina	Manufacturing	Owned
Santa Barbara D'oeste, Brazil	Manufacturing	Owned
Mississauga, Canada	Manufacturing	Leased
Newmarket, Canada	Distribution and manufacturing	Owned
Kettering, England	Distribution	Owned
Rotherham, England	Manufacturing	Leased
King's Lynn, England	Distribution and manufacturing	Owned
Pfungstadt, Germany	Manufacturing	Leased
Unterneukirchen, Germany	Manufacturing	Leased
Wuppertal, Germany	Manufacturing	Leased
Sopron, Hungary	Manufacturing	Owned
Correggio, Italy	Manufacturing	Owned
Juarez, Mexico	Manufacturing	Leased
Helmond, the Netherlands	Distribution	Owned
Veenendaal, the Netherlands	Distribution	Leased
Vila do Conde, Portugal	Manufacturing	Owned
Irun, Spain	Manufacturing	Owned
Urretxu, Spain	Manufacturing	Owned
Vitorio, Spain	Distribution and manufacturing	Owned
Bollnas, Sweden	Manufacturing	Owned
Edsbyn, Sweden	Manufacturing	Owned
Enkoping, Sweden	Manufacturing	Owned
Lidkoping, Sweden	Manufacturing	Owned
Sandviken, Sweden	Distribution	Leased

Item 3: Legal Proceedings

Snap-on is involved in a suit with SPX Corporation. Further information is described in Note 14 entitled "Commitments and Contingencies" on page 41 of Snap-on's 2000 Annual Report, which is incorporated herein by reference.

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

There was no matter submitted to a vote of the shareholders during the fourth quarter of the fiscal year ending December 30, 2000.

Item 4.1: Executive Officers of the Registrant

The executive officers of Snap-on, their ages as of December 30, 2000, and their current titles and positions held during the last five years are listed below.

Robert A. Cornog (60) - Chairman, President and Chief Executive Officer since July 1991. A Director since 1982.

Frederick D. Hay (56) - Senior Vice President - Operations since October 1998. Senior Vice President - Transportation from February 1996 to October 1998. Prior to joining Snap-on, he was President of the Interior Systems and Components

Division of UT Automotive, a business unit of United Technologies Corporation, from December 1989 to January 1996.

Donald S. Huml (54) - Senior Vice President - Finance and Chief Financial Officer since August 1994. Prior to joining Snap-on, he was Vice President and Chief Financial Officer of Saint-Gobain Corporation from December 1990 to August 1994.

Michael F. Montemurro (52) - Senior Vice President - Transportation since October 1998 and President - Worldwide Snap-on Dealer Group since November 2000. Senior Vice President - Financial Services and Administration from August 1994 to October 1998. Senior Vice President - Financial Services, Administration and Chief Financial Officer from April 1994 to August 1994. Senior Vice President - Finance and Chief Financial Officer from March 1990 to April 1994.

Neil T. Smith (46) - Controller since November 1997. Financial Controller from June 1997 to November 1997. Director of Financial Analysis and Planning from December 1994 to May 1997. Prior to joining Snap-on, he was Director of Finance for the Nielsen Marketing Research Division of Dun and Bradstreet Corporation from January 1991 to December 1994.

Susan F. Marrinan (52) - Vice President, Secretary and General Counsel since January 1992.

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

PART II

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

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. At its January 1999 meeting, the board of directors authorized the repurchase of up to $50 million of Snap-on's common stock. This action followed the board's authorization in 1998 to repurchase up to $100 million of common stock and its authorization in 1997 for the repurchase of up to $100 million of common stock. At the end of 2000, all of the 1999 authorization and a significant portion of the 1998 authorization, or $129 million in total, remained available. Snap-on repurchased 1,019,500 shares in 2000, following the repurchase of 492,800 shares in 1999, and 2,279,400 shares in 1998. Since 1995, Snap-on has repurchased 9,589,583 shares. In 2000, Snap-on's average common stock repurchase price was $29.93.

At December 30, 2000, Snap-on had 64,265,655 shares of common stock outstanding. This consists of 57,822,622 shares considered outstanding for purposes of computing earnings per share and an additional 6,443,033 shares held in a Grantor Stock Trust, which are considered outstanding for voting purposes but not for purposes of computing earnings per share.

Snap-on's stock is listed on the New York Stock Exchange under the ticker symbol SNA. As of December 30, 2000, there were 10,931 registered holders of Snap-on common stock.

Snap-on's common stock high and low prices for the last two years by quarter were as follows:

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

Quarter	2000		1999	
	High	Low	High	Low
First	$27.69	$20.88	$36.75	$28.06
Second	$30.31	$24.38	$37.44	$28.56
Third	$32.44	$21.81	$37.81	$30.75
Fourth	$28.50	$21.00	$32.50	$26.44

Additional information required by Item 5 is contained in the section entitled "Quarterly Financial Information" on page 44 of Snap-on's 2000 Annual Report and is incorporated herein by reference.

Item 6: Selected Financial Data

The information required by Item 6 is contained in the section entitled "Six-year Data" on page 45 of Snap-on's 2000 Annual Report and is incorporated herein by reference.

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

The information required by Item 7 is contained in the section entitled "Management's Discussion and Analysis of Results of Operations and Financial Condition" on pages 17 through 26 of Snap-on's 2000 Annual Report and is incorporated herein by reference.

Item 7A: Qualitative and Quantitative Disclosures About Market Risk

The information required by Item 7A is contained in the section entitled "Value at Risk" on page 26 and in Note 9 entitled "Financial Instruments" on page 36 of Snap-on's 2000 Annual Report and is incorporated herein by reference.

Item 8: Financial Statements and Supplementary Data

Financial statements and supplementary data required by Item 8 is contained in Snap-on's 2000 Annual Report appearing in the sections entitled "Consolidated Statements of Earnings" on page 27, "Consolidated Balance Sheets" on page 28, "Consolidated Statements of Shareholders' Equity and Comprehensive Income" on page 29, "Consolidated Statements of Cash Flows" on page 30, "Notes to Consolidated Financial Statements" on pages 31 through 43, "Report of Independent Public Accountants" on page 46, and "Quarterly Financial Information" appearing on page 44, and is incorporated herein by reference.

Snap-on's 2000 earnings before cumulative effect of a change in accounting principle and related earnings per share by quarter were as follows:

Earnings - Unaudited
(Amounts in millions except per share data)

Quarter	Earnings before Cumulative Effect	Earnings per Share - Basic	Earnings per Share - Diluted
First	$35.3	$.60	$.60
Second	$45.7	$.78	$.78
Third	$28.4	$.48	$.48
Fourth	$13.7	$.25	$.24

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

Gross Profit* - Unaudited
(Amounts in millions)

Quarter	2000	1999
First	$248.9	$218.9
Second	$264.8	$225.3
Third	$233.0	$218.4
Fourth	$250.1	$233.6

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

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

None.

PART III

Item 10: Directors and Executive Officers of the Registrant

The identification of Snap-on's directors as required by Item 10 is contained in Snap-on's Proxy Statement, dated March 16, 2001, in the section entitled "Proposal One: Election of Directors" on page 4 and in the section entitled "Board of Directors-Directors Not Standing for Election" on page 5, and is incorporated herein by reference.

With respect to information about Snap-on's executive officers, see Item 4.1, "Executive Officers of the Registrant," at the end of Part I of this report.

The disclosure concerning Section 16(a) filing compliance pursuant to Item 405 of Regulation S-K is contained in Snap-on's Proxy Statement, dated March 16, 2001, in the section entitled "Other Information" on pages 19 and 20, and is incorporated herein by reference.

Item 11: Executive Compensation

The information required by Item 11 is contained in Snap-on's Proxy Statement, dated March 16, 2001, in the section entitled "Executive Compensation" on pages 15 through 18 and in the section entitled "Other Information" on pages 19 and 20, and is incorporated herein by reference.

Item 12: Security Ownership of Certain Beneficial Owners and Management

The information required by Item 12 is contained in Snap-on's Proxy Statement, dated March 16, 2001, in the section entitled "Security Ownership of Management and Certain Beneficial Owners" contained on pages 8 and 9, and is incorporated herein by reference.

Item 13: Certain Relationships and Related Transactions

None.

PART IV

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

Item 14(a): Document List

1. List of Financial Statements

The following consolidated financial statements of Snap-on and the Report of Independent Public Accountants thereon, contained on pages 27 through 43 and on

page 46 of Snap-on's 2000 Annual Report to its shareholders for the year ended December 30, 2000, are incorporated by reference in Item 8 of this report:

Consolidated Statements of Earnings for the years ended December 30, 2000, January 1, 2000, and January 2, 1999.

Consolidated Balance Sheets as of December 30, 2000, and January 1, 2000.

Consolidated Statements of Shareholders' Equity and Comprehensive Income for the years ended December 30, 2000, January 1, 2000, and January 2, 1999.

Consolidated Statements of Cash Flows for the years ended December 30, 2000, January 1, 2000, and January 2, 1999.

Notes to Consolidated Financial Statements.

Report of Independent Public Accountants.

2. Financial Statement Schedules

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

Schedule II Valuation and Qualifying Accounts and Reserves - page 21 herein.

Report of Independent Public Accountants on Financial Statement Schedule - page 22 herein.

All other schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are inapplicable and, therefore, have been omitted, or are included in Snap-on's 2000 Annual Report in the Notes to Consolidated Financial Statements for the years ended December 30, 2000, January 1, 2000, and January 2, 1999, which are incorporated by reference in Item 8 of this report.

3. List of Exhibits

The exhibits filed with or incorporated by reference in this report are as specified in the exhibit index under Item 14(c) - pages 18 through 20 herein.

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

There were no matters reported on Form 8-K during or subsequent to the fourth quarter of 2000.

SIGNATURES

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

SNAP-ON INCORPORATED

By: /s/ R. A. Cornog — Date: March 19, 2001

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

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

/s/ R. A. Cornog Date: March 19, 2001

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

/s/ D. S. Huml Date: March 19, 2001

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

/s/ N. T. Smith Date: March 19, 2001

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

SIGNATURES

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

By: /s/ B. M. Beronja Date: March 19, 2001

B. M. Beronja, Director

By: /s/ B. S. Chelberg Date: March 19, 2001

B. S. Chelberg, Director

By: /s/ R. J. Decyk Date: March 19, 2001

R. J. Decyk, Director

By: /s/ L. A. Hadley Date: March 19, 2001

L. A. Hadley, Director

By: /s/ A. L. Kelly Date: March 19, 2001

A. L. Kelly, Director

By: /s/ G. W. Mead Date: March 19, 2001

G. W. Mead, Director

By: /s/ J. D. Michaels Date: March 19, 2001

J. D. Michaels, Director

By: /s/ F. S. Ptak — Date: March 19, 2001

F. S. Ptak, Director

By: /s/ E. H. Rensi — Date: March 19, 2001

E. H. Rensi, Director

By: /s/ R. F. Teerlink — Date: March 19, 2001

R. F. Teerlink, Director

EXHIBIT INDEX

Item 14(c): Exhibits

(2) (a) Share Purchase Agreement between CTT Cutting Tool Technology B.V. and Snap-on Incorporated ("the Corporation") dated as of April 16, 1999 (incorporated by reference to Exhibit 2(a) to Snap-on's report on Form 8-K dated September 30, 1999 (Commission File No. 1-7724))

(b) Amendment Agreement #1 to Share Purchase Agreement between CTT Cutting Tool Technology B.V. and the Corporation dated as of September 30, 1999 (incorporated by reference to Exhibit 2(a) to Snap-on's report on Form 8-K dated September 30, 1999 (Commission File No. 1-7724))

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

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

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

Snap-on and its subsidiaries have no long-term debt agreement for which the related outstanding debt exceeds 10% of consolidated total assets as of December 30, 2000. Copies of debt instruments for which the related debt is less than 10% of consolidated total assets will be furnished to the Commission upon request.

(10) Material Contracts

(a) Amended and Restated Snap-on Incorporated 1986 Incentive Stock Program (incorporated by reference to Exhibit 10(a) of Snap-on's Annual Report on Form 10-K for the fiscal year ended January 1, 2000 (Commission File No. 1-7724))*

(b) Form of Restated Senior Officer Agreement between the Corporation and

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

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

(d) Deferred Compensation Waiver and Insurance Benefit Agreement between the Corporation and Robert A. Cornog dated January 30, 1998 (incorporated by reference to Exhibit 10(d) to Snap-on's Annual Report on Form 10-K for the fiscal year ended January 2, 1999 (Commission File No. 1-7724))*

(e) Deferred Compensation Waiver and Insurance Benefit Agreement between the Corporation and Branko M. Beronja dated December 21, 1998 (incorporated by reference to Exhibit 10(e) to Snap-on's Annual Report on Form 10-K for the fiscal year ended January 2, 1999 (Commission File No. 1-7724))*

(f) Deferred Compensation Waiver and Insurance Benefit Agreement between the Corporation and Frederick D. Hay dated September 27, 1999 (incorporated by reference to Exhibit 10(f) to Snap-on's Annual Report on Form 10-K for the fiscal year ended January 1, 2000 (Commission File No. 1-7724))*

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

(h) Amended and Restated Snap-on Incorporated Directors' 1993 Fee Plan (incorporated by reference to Exhibit 10(h) to Snap-on's Annual Report on Form 10-K for the fiscal year ended January 1, 2000 (Commission File No. 1-7724))*

(i) Snap-on Incorporated Deferred Compensation Plan (as amended through January 28, 2000)*#

(j) Snap-on Incorporated Supplemental Retirement Plan for Officers (incorporated by reference to Exhibit 10(j) to Snap-on's Annual Report on Form 10-K for the fiscal year ended January 1, 2000 (Commission File No. 1-7724))*

(k) Amended and Restated Benefit Trust Agreement between the Corporation and The Northern Trust Company, dated as of July 2, 1998 and amended and restated as of March 17, 2000 (incorporated by reference to Snap-on's Form 8-K dated March 17, 2000 (Commission File No. 1-7724))

(l) Form of Deferred Award Agreement between the Corporation and each of Robert A. Cornog, Alan T. Biland, Dale F. Elliott, Gary S. Henning, Frederick D. Hay, Donald S. Huml, Michael F. Montemurro and Susan F. Marrinan, dated March 1, 1999 and Form of Restricted Stock Agreement between the Corporation and David E. Cox, dated March 1, 1999 (incorporated by reference to Exhibit 10(l) to Snap-on's Annual Report on Form 10-K for the fiscal year ended January 1, 2000 (Commission File No. 1-7724))*

(m) Five-year Credit Agreement between the Corporation and Salomon Smith Barney Inc., Banc One Capital Markets Inc. and the First National Bank

of Chicago (incorporated by reference to Exhibit 10(a) to Snap-on's report on Form 10-Q for the quarterly period ended October 2, 1999 (Commission File No. 1-7724))

(n) 364-Day Credit Agreement between the Corporation and Salomon Smith Barney Inc., Banc One Capital Markets Inc. and the First National Bank of Chicago (incorporated by reference to Exhibit 10(a) to Snap-on's report on Form 10-Q for the quarterly period ended October 2, 1999 (Commission File No. 1-7724))

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

(p) Amended and Restated Five Year Credit Agreement between the Corporation and Salomon Smith Barney Inc., Banc One Capital Markets Inc., Citibank, N.A. and Banc One, N.A.#

(q) Agreement between Branko M. Beronja and the Corporation regarding various subsidiary director assignments and special project fees for 2000 and 2001*#

(r) Retention and Recognition Agreement between Robert A. Cornog and the Corporation*#

(s) Form of Severance Agreement between Donald S. Huml and the Corporation*#

(t) Form of Severance Agreements between the Corporation and each of Alan T. Biland, Sharon M. Brady, Dale F. Elliott, Frederick D. Hay, Nicholas L. Loffredo, Susan F. Marrinan and Michael F. Montemurro dated October 27, 2000*#

(u) Form of Amendment to Deferred Compensation Waiver and Insurance Benefit Agreement between the Corporation and each of Robert A. Cornog, Branko M. Beronja and Fredrick D. Hay*#

(v) Form of Split-Dollar Insurance Plan Agreement between the Corporation and each of Robert A. Cornog, Branko M. Beronja, Dale F. Elliot, Fredrick D. Hay, Donald S. Huml, Susan F. Marrinan and Michael F. Montemurro*#

(w) Form of Amendment to Split-Dollar Insurance Plan Agreement between the Corporation and each of Robert A. Cornog, Branko M. Beronja, Dale F. Elliot, Fredrick D. Hay, Donald S. Huml, Susan F. Marrinan and Michael F. Montemurro*#

(12) Computation of Ratio of Earnings to Fixed Charges#

(13) The following portions of Snap-on's Annual Report to Shareholders, which are incorporated by reference in this Form 10-K, are filed as Exhibit 13: Management's Discussion and Analysis of Results of Operations and Financial Condition, Consolidated Statements of Earnings, Consolidated Balance Sheets, Consolidated Statements of Shareholders' Equity and Comprehensive Income, Consolidated Statements of Cash Flows, Notes to Consolidated Financial Statements, Quarterly Financial Information, Six-year Data, Management's Responsibility for Financial Reporting and Report of Independent Public Accountants.#

(18) Letter regarding change in accounting principles for pensions#

(21) Subsidiaries of the Corporation#

(23) Consent of Independent Public Accountants#

Filed herewith.
* Denotes management contract or compensatory plan or arrangement.

Item 14(d): Schedules

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS AND RESERVES
(Amounts in millions)

Description	Balance at Beginning of Year	Expenses	Deductions (1)	Other - Net	Balance at End of Year
Allowance for doubtful accounts:					
Year ended					
December 30, 2000	$27.8	$27.9	$(14.8)	$ -	$40.9
Year ended January 1, 2000	$29.2	$21.1	$(15.0)	$(7.5)*	$27.8
Year ended January 2, 1999	$20.6	$25.0	$(18.5)	$ 2.1	$29.2

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

* Includes a $9.5 million reduction due to the sale of receivables to CIT.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS
ON FINANCIAL STATEMENT SCHEDULE

We have audited in accordance with auditing standards generally accepted in the United States, the financial statements included in Snap-on Incorporated's ("Snap-on") Annual Report to Shareholders, incorporated by reference in this Form 10-K, and have issued our report thereon dated January 31, 2001. Our audit was made for the purpose of forming an opinion on those statements taken as a whole. The schedule listed on page 21 is the responsibility of Snap-on's management and is presented for purposes of complying with the Securities and Exchange Commission's rules and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

/s/ Arthur Andersen LLP

ARTHUR ANDERSEN LLP

Chicago, Illinois
January 31, 2001

SNAP-ON INCORPORATED
DEFERRED COMPENSATION PLAN
(as amended through January 28, 2000)

Section 1. Establishment and Purposes

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

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

Section 2. Definitions

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

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

(b) "Committee" means the Organization and Compensation Committee of the Board.

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

(d) "Compensation" means the gross Salary and Incentive Compensation payable to a Participant during a Year and Other Compensation payable to a Participant.

(i) Salary. "Salary" means all regular, basic compensation, before reduction for amounts deferred pursuant to this Plan or any other plan of the Corporation, payable in cash to a Participant for services during the Year, exclusive of any bonuses or incentive compensation, special fees or awards, allowances, or amounts designated by the Corporation as payments toward or reimbursement of expenses.

(ii) Incentive Compensation. "Incentive Compensation" means the annual Incentive Compensation Plan payable in cash by the Corporation to a Participant in a Year.

(iii) Other Compensation. "Other Compensation" means other compensation payable in cash and/or Common Stock or other property by the Corporation to a Participant in a Year, including without limitation compensation payable under the Amended and Restated Snap-on Incorporated 1986 Incentive Stock Program, as amended (the "Stock Program"), if the award of such compensation provides that the Participant may defer the compensation.

(e) "Corporation" means Snap-on Incorporated, a Delaware corporation.

(f) "Fair Market Value" means the closing price of the Common Stock on the New York Stock Exchange on any particular date; provided, however, that for purposes of Section 16, Fair Market Value shall mean the closing price of

the Common Stock on the New York Stock Exchange on the date of the Change of Control (as defined therein) or, if higher, the highest price per share of Common Stock paid in the transaction giving rise to the Change of Control.

(g) "Growth Increment" means the amount of interest earned on a Participant's deferred amounts.

(h) "Participant" means an individual selected by the Committee for participation in the Plan.

(i) "Year" means a calendar year.

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

Section 3. Eligibility and Participation

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

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

Section 4. Election to Defer

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

(i) With respect to Salary deferrals, the deferral percentage elected shall be applied to the Participant's Salary for each pay period of the Year to which the Deferral Election applies and must be made before November 30 of the year immediately preceding the Year for which such Deferral Election applies.

(ii) With respect to Incentive Compensation deferrals, the deferral percentage elected shall apply only to the Participant's Incentive Compensation payable with respect to service to be performed in the Year and must be made before December 31 of such Year.

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

(c) If so provided in an award of Other Compensation, and subject to such restrictions and conditions as may be set forth in the award or imposed by the Corporation, a Participant irrevocably may elect, by written notice to the Corporation, to defer all or a percentage of such Other Compensation.

4.2 Deferral Period. (a) The Participant irrevocably shall select the deferral period for each separate deferral. The deferral period shall be for a specified

number of years or until a specified date. The deferral period shall not be less than five years.

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

(i) Death,

(ii) Total and permanent disability,

(iii) Subject to subsection (c), retirement, or

(iv) Subject to subsection (c), termination of employment.

(c) A Participant may elect to have the deferral period for some or all amounts deferred continue beyond termination of employment due to retirement by so indicating when the Participant selects, or modifies pursuant to Section 4.4, the Participant's deferral period for a deferral. At such time the Participant may elect one or more successive post retirement deferral periods of up to five years each.

4.3 Manner of Payment Election. At the same time as an election is made pursuant to Section 4.1, or is modified pursuant to Section 4.4, the Participant may also elect to have a deferred amount paid either in a lump sum or in up to twenty substantially equal annual installments; provided, however, at such time a Participant that elects to receive payments in substantially equal annual installments may also specify a date within the installment period to receive all then remaining deferred amounts in a lump sum.

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

Section 5. Deferred Compensation Account

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

5.2 Growth Increments. The Corporation will provide the opportunity for Growth Increments to be earned on the balance of a Participant's Cash Accounts. The Committee will have the authority to select, from time to time, the appropriate interest rate to apply to such amounts. Each Cash Account shall be credited on the first day of each month with a Growth Increment computed on the daily balance in the Cash Account during the immediately preceding month. The Growth Increment shall be the sum of the daily interest earned, compounded monthly by the interest rate selected by the Committee.

5.3 Share Accounts.

(a) Subject to applicable corporate policies, from time to time a Participant may convert all or a portion of any Cash Account balance of the Participant into deferred shares of Common Stock credited to the Participant's corresponding Share Account by written notice to the Corporation. In such event, and effective as of the date the Corporation receives such a notice, (i) there shall be credited to the Participant's Share Account a number of units Share Units equal to the number of Share Units specified in the notice or, if such notice specifies a dollar amount, a number of Share Units equal to such dollar amount divided

by the Fair Market Value on the last trading business day immediately preceding the date theCorporation receives such notice and (ii) the Participant's Cash Account shall be debited in an amount equal to the number of Share Units credited to the Share Account multiplied by the Fair Market Value on the same trading business day.

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

(c) Whenever cash dividends are paid by the Corporation on outstanding Common Stock, as of the payment date for the dividend, at the election of a Participant (i) there shall be credited to a Participant's Cash Account an amount equal to the amount per share of the cash dividend on the Common Stock multiplied by the number of Share Units reflected in the Participant's Share Account, if any, as of the close of business on the record date for the dividend or (ii) there shall be credited to a Participant's Share Account additional Share Units equal to the cash amount described in clause (i) divided by the Fair Market Value of the Common Stock on the last trading business day immediately preceding the date of payment of the dividend. Absent an express election by a Participant, clause (i) shall apply. A Participant shall be entitled to elect treatment under clause (i) as to some Share Units reflected in the Participant's Share Account and treatment under clause (ii) as to other Share Units reflected in the Participant's Share Account.

(d) Subject to applicable corporate policies, from time to time a Participant

with a credit balance in a Share Account may convert all or a portion of such balance into an amount to

be credited to the Participant's corresponding Cash Account by giving written notice to the Corporation. In such event, and effective as of the date the Corporation receives such a notice, (i) there shall be credited to the Participant's Cash Account an amount equal to the number of Share Units specified in the notice multiplied by the Fair Market Value on the last trading business day immediately preceding the date the Corporation receives such notice and (ii) the Participant's Share Account shall be debited by the number of Share Units specified in the notice.

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

Section 6. Payment of Deferred Amounts

6.1 Payment of Deferred Amounts.

(a) Payment of a Participant's Cash Account balance, including accumulated Growth Increments attributable thereto and dividend credits under Section 5.3(b), shall be paid in cash commencing within thirty calendar days after the commencement date referred to in Section 4.2 hereof. The payments shall be made in the manner selected by the Participant under Section 4.3 of this Plan or, in the absence thereof, in a lump sum. The amount of each payment shall be equal to a Participant's then distributable Cash Account balance multiplied by a fraction, the numerator of which is one and the denominator of which is the number of installment payments remaining.

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

6.2 Acceleration of Payments. If a Participant dies prior to the payment of all or a portion of his Cash Account and/or Share Account balances, the balance of any amounts payable shall be

paid in a lump sum to the beneficiaries designated under Section 7 hereof. In addition, if a Participant's Cash Account balance is less than $5,000 at the time for the payment specified, such amount shall be paid to the Participant in a lump sum, and if a Participant's Share Account balance is less than 300 Share

Units at the time for the payment specified, such amount shall be paid to the Participant in a lump sum.

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

(a) provide that all, or a portion of, the amount previously deferred by the Participant immediately shall be paid in a lump sum payment,

(b) provide that all, or a portion of, the installments payable over a period of time immediately shall be paid in a lump sum, or

(c) provide for such other installment payment schedules as it deems appropriate under the circumstances, as long as the amount distributed shall not be in excess of that amount which is necessary for the Participant to meet the financial hardship.

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

Section 7. Beneficiary Designation

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

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

7.3 Ineffective Designation. In the event the Participant does not designate a beneficiary, or

if for any reason such designation is ineffective, in whole or in part, the amounts that otherwise would have been paid to the Participant shall be paid to the Participant's estate, and in such event, the term "beneficiary" shall include his estate.

Section 8. Rights of Participants

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

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

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

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

Section 9.

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

Section 10. Administration

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

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

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

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

Section 11. Amendment and Termination

11.1 Amendment and Termination. The Corporation expects the Plan to be permanent but, since future conditions affecting the Corporation cannot be anticipated or foreseen, the Corporation necessarily must and does hereby reserve the right to amend, modify, or terminate the Plan at any time by action of this Board.

Notwithstanding the foregoing, upon the occurrence of a Potential Change of Control (as hereinafter defined) and for a period of six months thereafter, the Plan may not be terminated or amended in a manner adverse to Participants. For purposes hereof, a "Potential Change of Control" shall be deemed to have occurred if an event set forth in any one of the following shall have occurred:

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

(ii) The Corporation or any other Person publicly announces an intention to take or consider taking actions that, if consummated, would constitute a Change of Control;

(iii) Any Person becomes the beneficial owner, as defined in Rule 13d-3 under the Securities Exchange Act of 1934, as amended (the "Beneficial Owner"), directly or indirectly, of securities of the Corporation representing 15% or more of either the then outstanding shares of Common Stock or the combined voting power of the Corporation's then outstanding voting securities; or

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

Section 12. Applicable Law

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

Section 13. Withholding of Taxes

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

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

Section 14. Notice

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

Section 15. Common Stock Matters

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

15.2 General Restrictions.

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

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

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

Section 16. Change of Control

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

(1) any "Person" (as such term is defined in Section 3(a)(9) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as modified and used in Sections 13(d) and 14(d) thereof, except that for purposes of this section 16.1(1) and subsection 16.1(3), the term "Person" shall not include (i) the Company or any of its subsidiaries, (ii) a trustee or other fiduciary holding securities under an employee benefit plan of the Company or any of its subsidiaries, (iii) an underwriter temporarily holding securities pursuant to an offering of such securities, or (iv) a corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock in the Company) is or becomes the "Beneficial Owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company (not including in the securities beneficially owned by such Person any securities acquired directly from the Company or its affiliates) representing 25% or more of either the then outstanding shares of common stock of the Company or the combined voting power of the Company's then outstanding voting securities; or

(2) the following individuals cease for any reason to constitute a majority of the number of directors then serving: individuals who, on January 1, 1996, constitute the Board and any new director (other than a director whose initial assumption of office is in connection with an actual or threatened election contest, including but not limited to a consent solicitation, relating to the election of directors of the Company, as such terms are used in Rule 14a-11 of Regulation 14A under the Exchange Act) whose appointment or election by the Board or

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

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

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

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

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

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

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

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

Section 17 - RATING EVENT

17.1 Rating Event. The term "Rating Event" means the date on which the Corporation's debt rating drops below an Investment Grade Rating. "Investment

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

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

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

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

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

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

U.S. $416,666,666.67

AMENDED AND RESTATED 364-DAY CREDIT AGREEMENT

Dated as of August 21, 2000

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 364-DAY CREDIT AGREEMENT

Dated as of August 21, 2000

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, BANK 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 a 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, Bank One Capital Markets Inc., as Co-Arranger, and The First National Bank of Chicago, 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. $416,666,666.67 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 "Commitment", "Lenders", "Sandvik Funding Date" and "Termination Date set forth therein and adding the following definitions thereto:

> "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.
>
> "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 20, 2001, 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 2.01 of the Existing Credit Agreement is amended by deleting the following proviso:

> "provided, further, that until the Sandvik Funding Date, the aggregate amount of all Revolving Credit Advances made by any Lender shall not exceed one third of such Lender's Commitment"

(c) Section 3.02 of the Existing Credit Agreement is deleted in its entirety.

(d) Section 4.01(e) of the Existing Credit Agreement is amended by (i) deleting the date "December 31, 1998" and substituting therefor the date "December 31, 1999" and (ii) deleting the date "June 30, 1999" and substituting therefor the date "June 30, 2000".

(e) Section 4.01 (i) of the Existing Credit Agreement is deleted in

its entirety.

(f) 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 hereto, 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/ Donald S. Huml

Title: Sr. Vice President-Finance and Chief Financial Officer

THE AGENT

CITIBANK, N.A., as Agent

By /s/ Robert D. Wetrus

Title: Vice President

INITIAL LENDERS

CITIBANK, N.A.

By /s/ Robert D. Wetrus

Title: Vice President

BANK ONE, NA (Main Office Chicago)

By /s/ Jenny A. Gilpin

Title: First Vice President

BANK OF AMERICA, N.A.

By /s/ Lynn Stetson

Title: Managing Director

MORGAN GUARANTY BANK AND TRUST
COMPANY OF NEW YORK

By /s/Dennis Wilczek

Title: Associate

SVENSKA HANDELSBANKEN AB (publ)

By /s/ Jonas Daun

Title: Sr. Vice President

By /s/ Henrik Jensen

Title: Vice President

BARCLAYS BANK PLC

By /s/

Title: Vice President

FIRSTAR BANK MILWAUKEE, N.A.

By /s/

Title: Assistant Vice President

CIBC INC.

By /s/

Title: Executive Director, CIBC World
Markets Corp., as Agent

DAI-ICHI KANGYO BANK LTD.

By /s/ Nobuyasu Fukatsu

Title: General Manager

SCHEDULE I TO THE
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.	$50,000,000	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	$33,333,333.33	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
CIBC Inc.	$6,666,666.67	Two Paces West 2727 Paces Ferry Road, Suite 1200 Atlanta, GA 30339 Attn: Charlene Harris T: 770 319-4881 F: 770 319-4950	Two Paces West 2727 Paces Ferry Road, Suite 1200 Atlanta, GA 30339 Attn: Charlene Harris T: 770 319-4881 F: 770 319-4950
Citibank, N.A.	$100,000,000	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.	$10,000,000	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	$100,000,000	One First National Plaza, Suite 0088 Chicago, IL 60670 Attn: Edna Guerra T: 312 732-9609 F: 312 732-2715	One First National Plaza, Suite 0088 Chicago, IL 60670 Attn: Edna Guerra T: 312 732-9609 F: 312 732-2715

Morgan Guaranty Bank and Trust Company of New York	$16,666,666.67	60 Wall Street New York, NY 100260-0060 Attn: T: F:	c/o J.P. Morgan Services Inc. Euro-Loan Servicing Unit 500 Stanton Christiana Road Newark DE 19713 Attn: T: F: 302 634-1094
Svenska Handelsbanken AB (publ)	$50,000,000	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.	$50,000,000	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
Total Commitment =	U.S. $ 416,666,666.67		

U.S. $208,333,333.33

AMENDED AND RESTATED FIVE YEAR CREDIT AGREEMENT

Dated as of August 21, 2000

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 FIVE YEAR CREDIT AGREEMENT

Dated as of August 21, 2000

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, BANK 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 a Five Year 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, Bank One Capital Markets Inc., as Co-Arranger, and The First National Bank of Chicago, as Syndication Agent. Capitalized terms not otherwise defined in this Amended and Restated Five Year 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. $208,333,333.33 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 "Commitment", "Lenders", Sandvik Funding Date" and "Termination Date" set forth therein and adding the following definitions thereto:

"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 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.

"Lenders" means, collectively, each Initial Lender, and each Person that shall become a party hereto pursuant to Section 8.07.

"Termination Date" means the earlier of (a) August 20, 2005, and (b) the date of termination in whole of the Commitments pursuant to Section 2.05 or 6.01.

(b) Section 2.01 of the Existing Credit Agreement is amended by deleting the following proviso:

> "provided, further, that until the Sandvik Funding Date, the aggregate amount of all Revolving Credit Advances made by any Lender shall not exceed one third of such Lender's Commitment"

(c) Section 3.02 of the Existing Credit Agreement is deleted in its entirety.

(d) Section 4.01(e) of the Existing Credit Agreement is amended by (i) deleting the date "December 31, 1998" and substituting therefor the date "December 31, 1999" and (ii) deleting the date "June 30, 1999" and substituting therefor the date "June 30, 2000".

(e) 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 hereto, 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.

[Remainder Of This Page Left Intentionally Blank]

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/ Donald S. Huml

Title: Sr. Vice President-Finance and
Chief Financial Officer

THE AGENT

CITIBANK, N.A.,
as Agent

By /s/ Robert D. Wetrus

Title: Vice President

INITIAL LENDERS

CITIBANK, N.A.

By /s/ Robert D. Wetrus

Title: Vice President

BANK ONE, NA (Main Office Chicago)

By /s/ Jenny A. Gilpin

Title: First Vice President

BANK OF AMERICA, N.A.

By /s/ Lynn Stetson

Title: Managing Director

MORGAN GUARANTY BANK AND TRUST
COMPANY OF NEW YORK

By /s/Dennis Wilczek

Title: Associate

SVENSKA HANDELSBANKEN AB (publ)

By /s/ Jonas Daun

Title: Sr. Vice President

By /s/ Henrik Jensen

Title: Vice President

BARCLAYS BANK PLC

By /s/

Title: Vice President

FIRSTAR BANK MILWAUKEE, N.A.

By /s/

Title: Assistant Vice President

CIBC INC.

By /s/

Title: Executive Director, CIBC World
Markets Corp., as Agent

DAI-ICHI KANGYO BANK LTD.

By /s/ Nobuyasu Fukatsu

Title: General Manager

SCHEDULE I
TO THE
AMENEDMENT AND RESTATEMENT

COMMITMENTS AND APPLICABLE LENDING OFFICES

Name of Initial Lender	Commitment	Domestic Lending Office	Eurocurrency Lending Office
Bank of America, N.A.	$25,000,000	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	$16,666,666.67	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
CIBC Inc.	$3,333,333.33	Two Paces West 2727 Paces Ferry Road, Suite 1200 Atlanta, GA 30339 Attn: Charlene Harris T: 770 319-4881 F: 770 319-4950	Two Paces West 2727 Paces Ferry Road, Suite 1200 Atlanta, GA 30339 Attn: Charlene Harris T: 770 319-4881 F: 770 319-4950
Citibank, N.A.	$50,000,000	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.	$5,000,000	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	$50,000,000	One First National Plaza, Suite 0088 Chicago, IL 60670 Attn: Edna Guerra T: 312 732-9609 F: 312 732-2715	One First National Plaza, Suite 0088 Chicago, IL 60670 Attn: Edna Guerra T: 312 732-9609 F: 312 732-2715
Morgan Guaranty Bank and Trust Company of New York	8,333,333.33	60 Wall Street New York, NY 100260-0060 Attn: T: F:	c/o J.P. Morgan Services Inc. Euro-Loan Servicing Unit 500 Stanton Christiana Road, Newark DE 19713 Attn: T: F: 302 634-1094
Svenska Handelsbanken AB (publ)	$25,000,000	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.	$25,000,000	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
Total Commitment =	U.S. $ 208,333,333.33		

Agreement

This agreement is between Branko M. Beronja and Snap-on Incorporated. Branko is currently a member of the Snap-on Incorporated Board of Directors and receives fees according to the adopted fee schedule.

Branko is also an active member of the following boards:

- Snap-on Credit LLC
- Mitchell Repair Information Company - Chairman
- Cartec - Chairman
- A.S.E. on Snap-on's behalf - Past Chair

Branko provides consultation to the following:

- Transportation Group
- Tony Pinto and the GPC Initiative
- Any other activity or project as needed

This agreement covers the annual periods of January 1, 2000 - December 31, 2000 and January 1, 2001 - December 31, 2001. The annual fee for each period is $75,000.00. The fees paid as a member of Snap-on's Board of Directors are to be subtracted from the $75,000.00 with the exception of the Board Committee fees earned. The fee for 2001 would be paid if the Snap-on Board responsibility were eliminated.

/s/ Branko M. Beronja

Branko M. Beronja
Dated: January 19, 2001

/s/Robert A. Cornog

Robert A. Cornog
Dated: January 11, 2001

October 27, 2000

Mr. Robert A. Cornog
Chairman, President and Chief Executive Officer
Snap-on Incorporated
10801 Corporate Drive
P. O. Box 1430
Kenosha, WI 53141-1430

Re: Retention and Recognition Agreement

Dear Bob:

You have indicated your desire to retire from your position with Snap-on Incorporated (the "Company"), but have indicated your willingness to continue to perform your duties and responsibilities on a full-time basis while the Company commences a more formalized CEO succession program. At the request of the Board of Directors of the Company (the "Board"), you have also indicated your willingness to defer your retirement for a period of time after relinquishing your officer positions to help ensure a smooth transition of your duties and responsibilities. At the same time, the Board wishes to recognize your outstanding leadership of the Company and to ensure your continued contribution to the Company during the transition period and thereafter. Accordingly, this retention and recognition agreement (the "Agreement") will evidence the Company's commitment to provide you with certain payments and benefits in accordance with the terms and conditions hereof.

1. Transition and Post-Transition Periods.

(a) The Company shall continue to employ you, and you shall continue to serve the Company, as Chairman, President and Chief Executive Officer, and faithfully perform the duties and responsibilities associated with

such offices, for a period commencing as of the date hereof (the "Effective Date") and ending on the earliest of (i) the date on which the Board shall advise you that your successor is ready to take office, (ii) March 31, 2002 or (iii) the date, if any, on which the Company ceases to have a class of equity securities registered under Section 12 of the Securities Exchange Act of 1934, as amended (such period, the "Transition Period"). At the end of the Transition Period, you shall cease to be Chairman, President and Chief Executive Officer. You shall also resign as an officer and director of all of the subsidiaries and affiliates of the Company, unless the Board or your successor shall request that you retain some or all of these positions for all or a portion of the Post-Transition Period, as hereinafter defined. Notwithstanding the foregoing, you shall remain an employee of the Company until the end of the Post-Transition Period. During the Transition Period and the Post-Transition Period, you shall (i) continue to receive your annual base salary at the rate currently in effect, (ii) be eligible to participate in all employee pension and welfare benefit plans and perquisite programs made available to senior officers generally and (iii) be subject to the restrictive covenants set forth in Section 3 hereof (the "Restrictive Covenants"), which shall also apply for a period of two years after the end of the Post-Transition Period (and in the case of the Restrictive Covenants set forth in Sections 3(c) and 3(d) hereof, indefinitely thereafter). During the Transition Period, you shall also continue to participate

in the Company's incentive compensation plans and programs at a level consistent with your position. During the Post-Transition Period, your participation in any such incentive plan or program shall be in the sole discretion of the Board (or a duly authorized committee thereof).

(b) Without limiting your duties and responsibilities as Chairman, President and Chief Executive Officer, during the Transition Period and thereafter for a period ending on the later of (i) six months following the Transition Period or (ii) March 31, 2002 (the "Post-Transition Period"), you shall reasonably cooperate with the Company with regard to management transition and succession (including, but not limited to, reasonably cooperating with the Company in the search for your successor as Chief Executive Officer and reasonably cooperating with such successor and the Company in the transition

process). During the Post-Transition Period, you shall be available at such times as the Company reasonably may request in order to assist in the orientation and performance of your successor, including by traveling to major Company facilities. Any services to be performed by you during the Post-Transition Period shall be consistent with those performed during the Transition Period, shall take into consideration your other obligations and shall not involve unreasonable time or travel obligations on your part. It is understood, however, that the services to be performed during the Post-Transition Period shall not require your full-time commitment to the Company and, on average over the Post-Transition Period, shall not require you to perform more than 25 hours of service per week. The Company shall reimburse you, in accordance with standard Company policy, for all expenses incurred by you in connection with performing such services, upon submission of appropriate documentation by you.

2. Transition Payment.

(a) So long as you are in material compliance with your obligations hereunder, then upon the end of the Transition Period, in consideration of the commitments made by you hereunder for the benefit of the Company, and in particular the covenants provided by you and set forth in Section 3 hereof, you shall become fully vested in the right to receive a lump sum payment equal to $4.8 million (such payment, the "Transition Payment"), the payment of which shall be deferred in accordance with your election and otherwise subject to the terms and conditions of the Company's Deferred Compensation Plan. In the event your employment is terminated by reason of your death or "Disability" (as defined below) prior to the end of the Transition Period (a "Qualifying Termination"), then you (or your beneficiary or estate) shall receive the Transition Payment within five business days following such termination (or, if you had elected a deferred schedule of payments, in accordance with such schedule). The Transition Payment shall not be included as compensation for purposes of calculating your retirement benefits from the Company.

(b) You shall not be treated as not in material compliance with your obligations hereunder prior to your receipt of (i) a copy of a resolution delivered prior to the end of the Post-Transition Period and duly adopted by the affirmative vote of not less than three-quarters (3/4) of the entire membership of the Board at a meeting of the Board called and held for the purpose of considering

such matter (after reasonable notice to you and an opportunity for you, together with your counsel, to be heard before the Board) finding that you were materially not in compliance and specifying the particulars thereof in detail and (ii) a copy of a resolution delivered prior to the end of the Post-Transition Period and duly adopted by the affirmative vote of a majority of the Ad Hoc Committee (as hereinafter defined) at a meeting of the Ad Hoc Committee called and held for the purpose of considering such matter (after reasonable notice to you and an opportunity for you, together with your counsel, to be heard before the Ad Hoc Committee) finding that you were materially not in compliance and specifying the particulars thereof in detail. The Ad Hoc Committee shall be a three-person committee, two members of which consist of individuals who, immediately prior to the end of the Transition Period, were serving on the Company's Organization and Executive Compensation Committee and one member of which is a member of the Board.

(c) For purposes of this letter, "Disability" shall be deemed the reason for the termination by the Company of your employment, if, as a result of your incapacity due to physical or mental illness, you shall have been absent from the performance of your duties with the Company for a period of six (6) consecutive months, the Company shall have given you a notice of termination for Disability, and, within thirty (30) days after such notice of termination is given, you shall not have returned to the performance of your duties.

3. Restrictive Covenants. "Restrictive Covenants" shall mean the following:

(a) Non-Competition. You shall not, directly or indirectly, engage, whether as an employee, employer, consultant, advisor or director, or as an owner, investor, partner or stockholder (unless your 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 3(a), your 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 your 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. You 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, or who within 90 days prior to the commencement of the Transition Period was, 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 your duties to the Company prior to the completion of the Post-Transition Period or with the consent of the Company, you 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 you shall return to the Company, promptly following the completion of the Post-Transition

Period (or upon any earlier 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 your possession or control during your employment.

(d) Cooperation with the Company. You 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 you were employed by the Company. Your 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. The Company shall reimburse you for any reasonable out-of-pocket expenses incurred in connection with your performance of obligations pursuant to this Section 3(d). To the maximum extent permitted by law, you agree that you will notify me or, following the completion of the Transition Period, the General Counsel of the Company if you are 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 you intend to enter into employment or otherwise provide services to any entity or undertake any other activities that you believe may be in conflict with your duties and obligations under either Section 3(a) or 3(b), you 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 you 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 you believe such services or activities might be in conflict with the

requirements of Section 3(a) or 3(b). The Company shall make a reasonable, good faith effort to review and assess such request and

respond to you within a reasonable period of time after receipt thereof, and promptly upon reaching any conclusion with respect thereto, shall advise you in writing whether it will consider any such services to violate any such provision. Notwithstanding the foregoing, (i) this Section 3(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 3(a) or 3(b) to such services or activities.

4. Benefit Continuation; Service Credit.

(a) Continuation of Benefits. Notwithstanding any other provision of this Agreement, nothing in this Section 4(a) shall adversely affect in any manner your benefits, period of coverage or other rights as they currently exist under any benefit plan, agreement or arrangement of the Company. So long as you are in material compliance with your obligations hereunder, then until the third anniversary of the earlier of (a) completion of the Post-Transition Period or (b) the termination of your employment (or, if later, in accordance with the existing plans, agreements and arrangements in effect between you and the Company), the Company shall provide you with continued health, disability, life and other insurance benefits substantially similar to the benefits provided to you immediately prior to the Effective Date or such termination, whichever is greater; provided that the level of any continued benefit shall be reduced to the extent that any such benefits are being provided to you by a subsequent employer. In addition, so long as you are in material compliance with your obligations hereunder, should your employment terminate prior to March 31, 2002, for purposes of the Company's benefits plans, agreements and arrangements you shall be deemed to have remained employed with the Company through March 31, 2002 at the rate of compensation in effect with respect to you on the date of such termination and to have attained the age that you would be on March 31, 2002. To the extent that benefits attributable to any such deemed service cannot be provided to you pursuant to the terms of the

Company's tax-qualified benefit plans due to the requirements of the Internal Revenue Code of 1986, as amended, such benefits shall be provided to you pursuant to a non-tax-qualified arrangement.

(b) Extended Medical Benefits. Without limiting the generality of the foregoing, following the period of benefits continuation described in Section 4(a) hereof and continuing until you attain age 65 (and, in the case of your current spouse and your current dependent children, until your current spouse attains age 65), the Company will allow you and such spouse and dependent children, if any, to continue your coverage under its medical, health and dental benefits programs then made available to senior officers on the same terms and conditions as such continued coverage would be available to you under the provision of Section 601 et. seq. of the Employee Retirement Income Security Act of 1974, as amended (but determined without regard to any maximum period of continued coverage, and assuming for this purpose that neither your nor such spouse is or becomes eligible to participate in any other group plan until such person attains age 65). In the event of your death during the Transition Period, the Post-Transition Period or the period during which continued benefits are being provided to you under Section 4(a) hereof or this Section 4(b), the Company shall continue to make available to such spouse and dependent children, if any, until such time as such spouse attains age 65 or dies, whichever is earlier, the

same medical, health and dental benefits that would have been available to them as your dependents under the terms of the applicable plans and this Agreement had you survived.

5. Stock Options. So long as you are in material compliance with your obligations hereunder, at the completion of the Post-Transition Period or, should your employment terminate earlier, at such time, each outstanding stock option held by you, whether or not vested and exercisable, shall become fully vested and exercisable and, in the case of a non-qualified stock option, shall remain outstanding and exercisable for a period of three years or, if later, the period prescribed by the applicable option agreement (but in no event later than the expiration date of such option).

6. Governing Law. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of Wisconsin without giving effect to the principles of conflict of laws of such State.

7. Entire Agreement; Other Agreements. This Agreement constitutes the entire understanding and agreement of the parties with respect to the matters discussed herein and supersedes all other prior agreements and understandings, written or oral, between the parties with respect to such matters. Except as provided below, however, nothing in this Agreement shall affect your rights under applicable law or under any plan, agreement or arrangement in effect between you and the Company. Notwithstanding the foregoing, upon execution of this Agreement, the Restated Senior Officer Agreement between you and the Company, dated as of January 29, 1996, as such agreement may be amended from time to time, shall immediately terminate and shall be null and void and of no force and effect; provided, however, that Section 3 thereof shall survive such termination and shall remain in full force and effect.

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

9. Legal Fees. The Company shall pay to you all reasonable legal fees and expenses incurred by you with respect to the negotiation of this Agreement or in seeking in good faith to obtain or enforce any benefit or right provided by this Agreement. Such payment shall be made within five (5) business days after delivery of your written request for payment accompanied with such evidence of fees and expenses incurred as the Company reasonably may require.

* * *

Please sign below in the space provided to acknowledge your acceptance of the terms of this Agreement.

Sincerely,

SNAP-ON INCORPORATED

/s/ Bruce S. Chelberg

By: Bruce S. Chelberg
Chairman

Organization and Executive
Compensation Committee

Acknowledged and Agreed to:

/s/ Robert A. Cornog

Robert A. Cornog
Chairman, President and Chief Executive Officer

Date: 10/27/00

October 26, 2000

NAME
TITLE
Snap-on Incorporated
10801 Corporate Drive
Pleasant Prairie, Wisconsin 53158

Re: Severance Payments

Dear NAME:

This letter agreement (the "Agreement") will evidence the understanding that we have reached with respect to the severance payments and benefits that will be provided to you upon a qualifying termination of your employment with Snap-on Incorporated (the "Company").

1. Severance Benefits.

(a) Upon the occurrence of a "Qualifying Termination," you shall be entitled to receive the payments and benefits described in clauses (b) and (c) of this Section 1. A "Qualifying Termination" shall mean the termination of your employment with the Company and its subsidiaries (i) by the Company and its subsidiaries without Cause (as defined below) or (ii) by you for any reason during the six-month period beginning on the date which is six months following the date on which I cease for any reason to be Chief Executive Officer of the Company. For purposes of this letter, the term "Cause" shall mean that prior to your termination of employment, you shall have (i) engaged in any act of fraud, embezzlement, or theft in connection with your duties as an executive or in the course of employment with the Company or its subsidiaries; (ii) wrongfully disclosed any secret process or confidential information of the Company or its subsidiaries; or (iii) participated without the written consent of the Board of Directors of the Company (the "Board") in the management of any business enterprise which manufacturers or sells any product or service competitive with any product or service of the Company or its subsidiaries (other than the mere ownership of less than five (5) percent of the securities in any enterprise and exercise of any ownership rights related thereto); and in any such case the act shall have been determined by the Board to have been materially harmful to the Company.

You may not be terminated for Cause prior to your receipt of a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters (3/4) of the entire membership of the Board at a meeting of the Board called and held for the purpose of considering such termination (after reasonable notice to you and an opportunity for you, together with your counsel, to be heard before the Board) finding that you were guilty of conduct set forth in the definition of Cause herein, and specifying the particulars thereof in detail. In the event of a dispute regarding whether your employment has been terminated for Cause, no claim by the Company that Cause exists shall be given effect unless the Company establishes by clear and convincing evidence that Cause exists.

(b) You (or your estate, as the case may be) shall be entitled to receive, in a lump sum within five business days following the Qualifying Termination or, in the discretion of the Company, in

substantially equal monthly installments over a period of three years following the Qualifying Termination (such period, the "Severance Period"), a severance payment or payments which, in the aggregate, equal three times the sum of (i) your highest annual rate of base salary in effect during the three-year period immediately prior to the Qualifying Termination plus (ii) the higher of (A) your highest annual bonus earned during the three complete fiscal years of the Company immediately preceding the Qualifying Termination or (B) 90% of your annual rate of base salary as in effect immediately prior to the Qualifying Termination. During the 30-day period beginning on the date on which you sign this Agreement, you may elect to defer the payment of all or a portion of the severance payment, to the extent that such payment would otherwise be made in a lump sum, to a date or dates consistent with the deferral options available under the Company's Deferred Compensation Plan. Any such deferral election shall be null and void and of no force and effect if the Company determines that the severance payments shall be made over the Severance Period. If the Company determines that the severance payments shall be made on a monthly basis, you shall be subject to the restrictive covenants set forth in Section 3 hereof (the "Restrictive Covenants") during the Severance Period. If you violate the Restrictive Covenants during such period, all severance payments (as set forth in this Section 1(b)) which have not yet been paid shall be immediately forfeited and any further continuation of benefits (as set forth in Section 1(c) hereof) shall immediately cease. The severance payments hereunder shall not be included as compensation for

purposes of calculating your retirement benefits from the Company, and the Severance Period shall not count as service for purposes of any benefit plan or arrangement maintained by the Company.

(c) Subject to Section 7 hereof, for a three-year period following the Qualifying Termination (or, if later, in accordance with the existing plans, agreements and arrangements in effect between you and the Company), the Company shall provide you with continued health, disability, life and other insurance benefits substantially similar to the benefits provided to you immediately prior to the Qualifying Termination; provided, that the level of any continued benefit shall be reduced to the extent that any such benefits are being provided to you by a subsequent employer. Your rights to continued coverage under COBRA shall commence at the end of such three-year period.

2. Option Vesting. In the case of a Qualifying Termination described in Section 1(a)(i) hereof, the Company shall determine whether any or all of your then unvested stock options shall become vested and exercisable. In the case of a Qualifying Termination described in Section 1(a)(ii) hereof, none of your then unvested stock options shall become vested and exercisable.

3. Restrictive Covenants. "Restrictive Covenants" shall mean the following:

(a) Non-Competition. You shall not, directly or indirectly, engage, whether as an employee, employer, consultant, advisor or director, or as an owner, investor, partner or stockholder (unless your 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 3(a), your 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 your 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. You 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, or who within 90 days prior to the Qualifying Termination was, 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 your duties to the Company during your employment with the Company or with the consent of the Company, you 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 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 you shall return to the Company, promptly following the Qualifying Termination, 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 your possession or control during your employment.

(d) Cooperation with the Company. You 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 you were employed by the Company. Your 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. The Company shall reimburse you for any reasonable out-of-pocket expenses incurred in

connection with your performance of obligations pursuant to this Section 3(d). To the maximum extent permitted by law, you agree that you will notify the Chief Executive Officer of the Company if you are 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.

4. Governing Law. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of Wisconsin without giving effect to the principles of conflict of laws of such state, except that Section 5 shall be construed in accordance with the Federal

Arbitration Act. Judgment may be entered on the arbitrator's award in any court having jurisdiction.

5. Settlement of Disputes; Arbitration. Any dispute or controversy arising under or in connection with this Agreement shall be settled by arbitration in Chicago, Illinois in accordance with the rules of the American Arbitration Association then in effect.

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

7. Entire Agreement; Other Agreements. This Agreement constitutes the entire understanding and agreement of the parties with respect to the matters discussed herein and supersedes all other prior agreements and understandings, written or oral, between the parties with respect to such matters. Except as provided below, however, nothing in this Agreement shall affect your rights under applicable law, the Restated Senior Officer Agreement between you and the Company, dated as of ______________, 1996, as such agreement may be amended from time to time (the "Senior Officer Agreement") or under any other plan, agreement or arrangement in effect between you and the Company. Notwithstanding the foregoing, (a) any severance compensation to which you become entitled pursuant to Section 2(c) of the Senior Officer Agreement (the "Senior Officer Compensation") shall be reduced (but not below zero) by any severance payments previously paid to you pursuant to Section 1(b) of this Agreement, and any severance payments to

which you become entitled pursuant to Section 1(b) of this Agreement shall be reduced (but not below zero) by any Senior Officer Compensation previously paid to you and (b) from and after the time that benefit continuation commences pursuant to Section 1(c) of this Agreement, such continuation shall supersede any benefit continuation to which you are entitled pursuant to Section 2(d) of the Senior Officer Agreement; provided, however, that the period of the benefit continuation under said Section 1(c) shall be reduced by the period during which any benefit continuation had previously been provided to you under said Section 2(d). Insofar as it relates to the matters described in the immediately preceding sentence, this Agreement shall be deemed to constitute an amendment to the Senior Officer Agreement.

* * *

Please sign below in the space provided to acknowledge your acceptance of the terms of this Agreement.

Sincerely,

Snap-on Incorporated

By: Robert A. Cornog
Chairman, President and
Chief Executive Officer

Acknowledged and Agreed to:

NAME
TITLE

Date: ________________________________

October 27, 2000

NAME
TITLE
Snap-on Incorporated
P.O. Box 1430
Kenosha, Wisconsin 53141-1430

Re: Severance Payments

Dear NAME:

This letter agreement (the "Agreement") will evidence the understanding that we have reached with respect to the severance payments and benefits that will be provided to you upon a qualifying termination of your employment with Snap-on Incorporated (the "Company").

1. Severance Benefits.

(a) Upon the occurrence of a "Qualifying Termination," you shall be entitled to receive the payments and benefits described in clauses (b) and (c) of this Section 1. A "Qualifying Termination" shall mean the termination of your employment with the Company and its subsidiaries prior to the Expiration Date (as defined in Section 8 hereof) by the Company and its subsidiaries without Cause (as defined below). For purposes of this letter, the term "Cause" shall mean that prior to your termination of employment, you shall have (i) engaged in any act of fraud, embezzlement, or theft in connection with your duties as an executive or in the course of employment with the Company or its subsidiaries; (ii) wrongfully disclosed any secret process or confidential information of the Company or its subsidiaries; or (iii) participated without the written consent of the Board of Directors of the Company (the "Board") in the management of any business enterprise which manufacturers or sells any product or service competitive with any product or service of the Company or its subsidiaries (other than the mere ownership of less than five (5) percent of the securities in any enterprise and exercise of any ownership rights related thereto); and in any such case the act shall have been determined by the Board to have been materially harmful to the Company. You may not be terminated for Cause prior to your receipt of a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters (3/4) of the entire membership of the Board at a meeting of the Board called and held for the purpose of considering such termination (after reasonable notice to you and an opportunity for you, together with your counsel, to be heard before the Board) finding that you were guilty of conduct set forth in the definition of Cause herein, and specifying the particulars thereof in detail. In the event of a dispute regarding whether your employment has been terminated

for Cause, no claim by the Company that Cause exists shall be given effect unless the Company establishes by clear and convincing evidence that Cause exists.

(b) You (or your estate, as the case may be) shall be entitled to receive, in a lump sum within five business days following the Qualifying Termination or, in the discretion of the Company, in substantially equal monthly installments over a period of [2][3] years following the Qualifying Termination (such period, the "Severance Period"), a severance payment or payments which, in the aggregate, equal [2][3] times the sum of (i) your highest annual rate of base salary in effect during the three-year period immediately prior to the

Qualifying Termination plus (ii) the higher of (A) your highest annual bonus earned during the [2][3] complete fiscal years of the Company immediately preceding the Qualifying Termination or (B) your target annual bonus as in effect immediately prior to the Qualifying Termination. During the 30-day period beginning on the date on which you sign this Agreement, you may elect to defer the payment of all or a portion of the severance payment, to the extent that such payment would otherwise be made in a lump sum, to a date or dates consistent with the deferral options available under the Company's Deferred Compensation Plan. Any such deferral election shall be null and void and of no force and effect if the Company determines that the severance payments shall be made over the Severance Period. If the Company determines that the severance payments shall be made on a monthly basis, you shall be subject to the restrictive covenants set forth in Section 3 hereof (the "Restrictive Covenants") during the Severance Period. If you violate the Restrictive Covenants during such period, all severance payments (as set forth in this Section 1(b)) which have not yet been paid shall be immediately forfeited and any further continuation of benefits (as set forth in Section 1(c) hereof) shall immediately cease. The severance payments hereunder shall not be included as compensation for purposes of calculating your retirement benefits from the Company, and the Severance Period shall not count as service for purposes of any benefit plan or arrangement maintained by the Company.

(c) Subject to Section 7 hereof, for a [2][3]-year period following the Qualifying Termination (or, if later, in accordance with the existing plans, agreements and arrangements in effect between you and the Company), the Company shall provide you with continued health, disability, life and other insurance benefits substantially similar to the benefits provided to you immediately prior to the Qualifying Termination; provided, that the level of any continued benefit shall be reduced to the extent that any such benefits are being provided to you by a subsequent employer. Your rights to continued coverage under COBRA shall commence at the end of such [2][3]-year period.

2. Option Vesting. Upon a Qualifying Termination, each outstanding stock option held by you, whether or not vested and exercisable, shall become fully vested and exercisable and, in the case of a non-qualified stock option, shall remain outstanding and exercisable for a period of [2][3] years or, if later, the period prescribed

by the applicable option agreement (but in no event later than the expiration date of such option).

3. Restrictive Covenants. "Restrictive Covenants" shall mean the following:

(a) Non-Competition. You shall not, directly or indirectly, engage, whether as an employee, employer, consultant, advisor or director, or as an owner, investor, partner or stockholder (unless your 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 3(a), your 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 your 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. You 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, or who within 90 days prior to the Qualifying Termination was, 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 your duties to the Company during your employment with the Company or with the consent of the Company, you 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 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 you shall return to the Company, promptly following the Qualifying Termination, 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 your possession or control during your employment.

(d) Cooperation with the Company. You 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 you were employed by the Company. Your 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. The Company shall reimburse you for any reasonable out-of-pocket expenses incurred in connection with your performance of obligations pursuant to this Section 3(d). To the maximum extent permitted by law, you agree that you will notify the Chief Executive Officer of the Company if you are 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.

4. Governing Law. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of Wisconsin without giving effect to the principles of conflict of laws of such state, except that Section 5 shall be construed in accordance with the Federal Arbitration Act. Judgment may be entered on the arbitrator's award in any court having jurisdiction.

5. Settlement of Disputes; Arbitration. Any dispute or controversy arising under or in connection with this Agreement shall be settled by arbitration in Chicago, Illinois in accordance with the rules of the American Arbitration Association then in effect.

6. Withholding. The Company may withhold from any amounts payable

under this Agreement all federal, state and other taxes as shall be legally required.

7. Entire Agreement. This Agreement constitutes the entire understanding and agreement of the parties with respect to the matters discussed herein and supersedes all other prior agreements and understandings, written or oral, between the parties with respect to such matters. Except as provided below, however, nothing in this Agreement shall affect your rights under applicable law, the Restated [Senior Officer][Executive] Agreement between you and the Company, dated as of ______________, _____, as such agreement may be amended from time to time (the "[Senior Officer][Executive] Agreement") or under any other plan, agreement or arrangement in effect between you and the Company. Notwithstanding the foregoing, (a) any severance compensation to which you become entitled pursuant to Section 2(c) of the [Senior Officer][Executive] Agreement (the "[Senior Officer][Executive] Compensation") shall be reduced (but not below zero) by any severance payments previously paid to you pursuant to Section 1(b) of this Agreement, and any severance payments to which you become entitled pursuant to Section 1(b) of this Agreement shall be reduced (but not below zero) by any [Senior Officer][Executive] Compensation previously paid to you and (b) from and after the time that benefit continuation commences pursuant to Section 1(c) of this Agreement, such continuation shall supersede

any benefit continuation to which you are entitled pursuant to Section 2(d) of the [Senior Officer][Executive] Agreement; provided, however, that the period of the benefit continuation under said Section 1(c) shall be reduced by the period during which any benefit continuation had previously been provided to you under said Section 2(d). Insofar as it relates to the matters described in the immediately preceding sentence, this Agreement shall be deemed to constitute an amendment to the [Senior Officer][Executive] Agreement.

8. Expiration of Agreement. This Agreement shall expire and be of no further force and effect on the date which is two years following the date on which a new Chief Executive Officer of the Company is appointed by the Board and takes office to succeed the current Chief Executive Officer of the Company (the "Expiration Date"); provided, however, that, notwithstanding the occurrence of the Expiration Date, any rights that you have under this Agreement by reason of a Qualifying Termination occurring prior to the Expiration Date shall not expire but shall remain in full force and effect.

* * *

Please sign below in the space provided to acknowledge your acceptance of the terms of this Agreement.

Sincerely,

Snap-on Incorporated

By: Robert A. Cornog
Chairman, President and
Chief Executive Officer

Acknowledged and Agreed to:

NAME
TITLE

Date: _________________________________

AMENDMENT TO
DEFERRED COMPENSATION WAIVER
AND INSURANCE BENEFIT AGREEMENT

This Agreement is entered into this ____ day of ____________, 2000, by and between SNAP-ON INCORPORATED, a Delaware corporation (the "Company"), and _______________________ (the "Executive").

WHEREAS, the Executive and the Company entered into a Deferred Compensation Waiver And Insurance Benefit Agreement ("Agreement") on ___________________; and

WHEREAS, the Executive and the Company have determined that it is in their best interests to amend the Agreement.

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

Section 6.a. is deleted in its entirety and replaced by the following new Section 6.a.:

"6. Funding Upon a Change of Control

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

The following new Section 13 is added:

"13. Funding Upon a Rating Event.

(a) In the event that a Rating Event (as defined below) occurs and a Change of Control has not occurred, the Company shall immediately transfer to an irrevocable trust established by the Company which is substantially in the form of the Snap-on Incorporated Split-Dollar Trust approved by the Committee on October 21, 1999 (and contains such other supplemental provisions as are required by the trustee which are not inconsistent with the form approved by the Committee) an amount equal to (i) the aggregate unpaid premiums required to be paid to the Company under Section 3 of this Agreement plus (ii) an additional amount equal to the death benefit required to be paid under Section 4(a) of this Agreement if the survivor of the Executive and the

Executive's spouse dies in the year in which the Company's final premium payment is due.

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

(c) The Company's satisfaction of its obligation under Section 13(a)

in the event that a Rating Event occurs shall completely discharge its payment obligations under Sections 3 and 4 of this Agreement."

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

In the presence of SNAP-ON INCORPORATED

By ---------------------------------- ----------------------------------

Its ----------------------------------

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

SNAP-ON INCORPORATED

SPLIT-DOLLAR INSURANCE PLAN

AGREEMENT FOR ________________

1. Introduction. This Agreement is a component of the Snap-on Incorporated Split-Dollar Insurance Plan ("Plan"). Snap-on Incorporated, as an inducement to continued employment of executives designated to participate in the Plan, wishes to assist them with their personal life insurance program. The Plan is intended to qualify as a life insurance employee benefit as described in Revenue Ruling 64-328.

2. Definitions.

(a) "Change of Control" shall have the meaning given it in Section 1.c. of the ____________ Agreement.

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

(c) "Early Retirement" shall have the meaning given it in the Company's Retirement Plan for Administrative and Field Employees except that the Insured shall only have to satisfy the age requirements of such term.

(d) "Effective Date" shall have the meaning given it in Section 1.d. of the ____________ Agreement.

(e) "Insured" means ________________.

(f) "Insurer" means Northwestern Mutual Life.

(g) "Owner" means ________________, who may or may not be the same person as the Insured.

(h) "Permanent Disability" shall have the meaning given it in the Company's Health Benefit Plan for Administrative and Field Employees.

(i) "Policy Interest" means the interest of the Company in the Policy. Policy Interest is an amount equal to the total premiums paid by the Company.

(j) "Policy" means the policy or policies of insurance on the life of the Insured issued by the Insurer and listed on Exhibit A attached hereto together with any supplementary contracts issued by the Insurer in conjunction therewith.

(k) "Retirement" shall have the meaning given it in the Company's Retirement Plan for Administrative and Field Employees.

(l) "____________ Agreement" means the ____________ Agreement dated ____________, between the Company and the Insured.

(m) "Termination of Employment" shall have the meaning given it in Section 1.h. of the ____________ Agreement without regard for any time limits specified in such definition.

3. Premium Payments.

(a) Commencing with the date of this Agreement, the Company agrees to pay successive annual premium payments on the Policy as listed on Exhibit A as they become due.

(b) The Company's obligation to make future premium payments under Section 3(a) shall terminate if the Insured's employment is terminated prior to the Effective Date for any reason other than (i) Retirement at normal retirement

age, (ii) Early Retirement or (iii) Permanent Disability.

(c) The Company's obligation to make future premium payments under Section 3(a) shall terminate if the Insured's employment is terminated after the Effective Date for any reason other than (i) Retirement at normal retirement age, (ii) Early Retirement, (iii) Permanent Disability or (iv) Termination of Employment.

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

(e) The Insured shall, as a condition of Owner's participation in this Plan, execute a limited waiver of participation in the Company's group term life insurance plan, evidenced by filing with the Company a waiver in substantially the form attached hereto.

4. Policy Ownership.

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

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

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

(2) The right to recover its Policy Interest from the proceeds of the Policy in the event of the Insured's death.

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

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

5. Termination of Plan.

(a) This Agreement shall be terminated upon the first to occur of:

(1) The death of the Insured.

(2) The sixteenth (16th) anniversary of the issuance of the Policy.

(3) The date on which the Owner gives notice in writing to the Company of the termination.

(4) Termination of the Company's premium payment obligation under Section 3(a) pursuant to Section 3(b) or 3(c).

(b) In the event of termination of this Agreement the Owner shall, at its election:

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

(2) Execute any and all instruments that may be

required to vest ownership of the Policy in the Company. Thereafter, Owner shall have no further interest in the Policy and shall have no further obligation to the Company.

6. Funding Upon a Change of Control.

(a) In the event that a Change of Control of the Company occurs, the Company shall immediately transfer to an irrevocable grantor trust established by the Company which is substantially identical to the trust attached as Exhibit C to this Agreement and contains such other supplemental provisions as are required by the trustee which are not inconsistent with Exhibit C (the "Trust") an amount equal to the aggregate unpaid premiums required to be paid by the Company under Section 3(a) assuming no termination of the Agreement under Sections 3(c), 5(a)(1) or 5(a)(3).

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

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

8. This Agreement may be amended at any time by the Owner and the Company. Such amendment shall be in writing and signed by the Chairman of the Organization and Executive Compensation Committee on behalf of the Company and by the Owner.

9. This Agreement shall bind and inure to the benefit of the Company and its successors and assigns; Owner and its successor trustees and beneficiaries; and any Policy beneficiary.

IN WITNESS WHEREOF the parties have signed and sealed this Agreement this ____ day of _________________________, 1999.

In the presence of	SNAP-ON INCORPORATED
___________________________________	By ______________________________
	Its

OWNER

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EXHIBIT A

LIFE INSURANCE

Policy Number	Initial Face Amount	Insured's Initial Economic Benefit

EXHIBIT B

COLLATERAL ASSIGNMENT FORM

SNAP-ON INCORPORATED SPLIT-DOLLAR INSURANCE PLAN

Insurer: Northwestern Mutual Life

Insured: ________________

Policy Nos. ________________

FOR VALUE RECEIVED, THIS ASSIGNMENT is made by the undersigned Owner effective this ____ day of _______________________, 1999.

1. Definitions.

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

(b) "Insured" means ________________.

(c) "Insurer" means Northwestern Mutual Life.

(d) "Owner" means ________________.

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

Policy Number _____________ Face Amount $_________________

Policy Number _____________ Face Amount $_________________

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

(g) "Split-Dollar Plan" means that certain plan of even date

herewith, between the Owner and the Assignee. The Insurer is not bound by nor deemed to have notice of the provisions of the Split-Dollar Plan.

2. Introduction. Under the Split-Dollar Plan, the Assignee has agreed to assist the Owner in payment of premiums on the Policy. In consideration of such premium

payments by the Assignee, the Owner grants herein to the Assignee certain limited interests in the Policy.

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

(a) The right to obtain one or more loans or advances on the Policy to the extent of its Policy Interest, and to pledge or assign the Policy for such loans and advances.

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

(c) The right to recover its Policy Interest from the proceeds of the Policy in the event of the Insured's death.

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

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

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

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

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

In the presence of ____________________________

GROUP TERM LIFE PLAN WAIVER

I, the undersigned Insured under the Snap-on Incorporated Split-Dollar Insurance Plan, waive participation in the Snap-on Incorporated group term life insurance plan with regard to all coverage in excess of the dollar amount set forth in Internal Revenue Code section 79(a)(1) ($50,000 as of the date of this Agreement). This waiver is not effective until the life insurance applied for by me under the Split-Dollar Insurance Plan is issued and effective.

In addition, this waiver shall no longer be effective if the Split-Dollar Insurance Plan, as to my coverage and benefits, is terminated by the Company. In such event, my coverage under the Snap-on group term life insurance plan shall be immediately reinstated.

In the presence of

-----------------------------------   ---------------------------------------
_________________________, Insured

Acknowledged and Accepted by Snap-on Incorporated.

By: ----------------------------------

Its: -----------------------------------

AMENDMENT TO SNAP-ON INCORPORATED
SPLIT-DOLLAR INSURANCE PLAN
AGREEMENT FOR ____________________

This Agreement is entered into this ____ day of __________, 2000, by and between SNAP-ON INCORPORATED, a Delaware corporation (the "Company"), and ____________________ (the "Owner").

WHEREAS, the Owner and the Company entered into a Split-Dollar Life Insurance Plan Agreement ("Agreement") on ______________, 1999; and

WHEREAS, the Owner and the Company have determined that it is in their best interests to amend the Agreement.

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

Section 6.a. is deleted in its entirety and replaced by the following new Section 6.a.:

"6. Funding Upon a Change of Control

(a) In the event that a Change of Control of the Company occurs and a Rating Event has not occurred, the Company shall immediately transfer to an irrevocable grantor trust established by the Company which is substantially identical to the trust attached as Exhibit C to this Agreement and contains such other supplemental provisions as are required by the trustee which are not inconsistent with Exhibit C (the "Trust") an amount equal to the aggregate unpaid premiums required to be paid by the Company under Section 3(a) assuming no termination of the Agreement under Sections 3(c), 5(a)(1) or 5(a)(3)."

The following new Section 10 is added:

"10. Funding Upon a Rating Event.

(a) In the event that a Rating Event (as defined below) occurs, the Company shall immediately transfer to an irrevocable trust established by the Company which is substantially in the form of the Snap-on Incorporated Delaware Benefits Trust approved by the Organization and Executive Compensation Committee of the Company on October 21, 1999 (and contains such other supplemental provisions as are required by the trustee which are not inconsistent with the form approved by the Organization and Executive Compensation Committee) an amount equal to the aggregate unpaid premiums required to be paid to the Company under Section 3(a) of this Agreement.

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

(c) The Company's satisfaction of its obligation under Section 10(a) in the event that a Rating Event occurs shall completely discharge its payment obligations under Sections 3 and 4 of this Agreement."

IN WITNESS WHEREOF the parties have signed and sealed this Amendment this ____ day of _________________________, 2000.

In the presence of SNAP-ON INCORPORATED

By

Bruce S. Chelberg, Chairman of
the Organization and Executive
Compensation Committee

OWNER

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
(Amounts in millions)

	2000	1999	1998
Net Earnings (Loss)	$148.5	$127.2	$(4.8)
Add (Deduct):			
Income taxes	85.4	70.7	15.6
Minority interest in earnings of consolidated subsidiaries	3.0	0.2	4.3
Net Earnings as Defined	236.9	198.1	15.1
Fixed Charges:			
Interest on debt	40.7	27.4	21.2
Interest element of rentals	5.3	5.0	3.6
Total Fixed Charges	46.0	32.4	24.8
Total Adjusted Earnings Available for Payment of Fixed Charges	$282.9	$230.5	$39.9
Ratio of Earnings to Fixed Charges	6.2	7.1	1.6

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

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

Snap-on Incorporated ("Snap-on") is a leading global developer, manufacturer and marketer of tool, diagnostic and equipment solutions for professional tool users. Snap-on's mission is to delight its customers by providing innovative and productivity-enhancing products, services and solutions. Product lines include hand and power tools, tool storage products, shop equipment, saws and cutting tools, pruning tools, under-hood diagnostics equipment, under-car equipment, safety-testing equipment, collision repair equipment, vehicle service information, business management systems, services, and other solutions for the transportation service, industrial, agricultural, and other commercial industries. Snap-on's customers include professional automotive technicians, shop owners, franchised service centers, national accounts, original equipment manufacturers and industrial, agricultural, and commercial tool and equipment users worldwide.

Snap-on has two business segments: the Snap-on Dealer Group (formerly Global Transportation), which serves the worldwide franchised dealer van channel, and the Commercial and Industrial Group (formerly Global Operations), which serves the non-dealer tool and equipment products businesses. In addition to its manufacturing, marketing and distribution operations, Snap-on also offers financing for the purchase of its products through a 50%-owned financial services joint venture and through its wholly owned credit subsidiaries.

Snap-on markets its products and brands through multiple distribution channels worldwide. Products are primarily sold through Snap-on's franchised dealer van, company direct sales and distributor channels. In 2000, Snap-on also began selling product via the Internet as part of its "Store Without Walls" vision. Through the launch of its new Web site, current and prospective customers in the United States now have 24x7, online access to purchase Snap-on(R) products.

In recent years, Snap-on had product sales in the following geographic regions:

(Amounts in millions)	2000	1999	1998
United States	$1,367.1	$1,306.7	$1,240.0
Europe	587.5	434.3	361.0
All other	221.1	204.6	171.6
Total net sales	$2,175.7	$1,945.6	$1,772.6

Results of Operations

CONSOLIDATED RESULTS: Net sales in 2000 were a record $2.176 billion, up 12% over the $1.946 billion posted in 1999. This was the ninth consecutive year of record sales for Snap-on. In 2000, Snap-on further strengthened its business through successful new product introductions and net additions to the worldwide franchised dealer base as part of its "More Feet on the Street" initiative. This initiative provides both a new opportunity and a means of enhancement for successful existing Snap-on dealers, and also provides better market penetration and service to Snap-on customers worldwide. In addition, sales in 2000 were up over the prior year due to higher sales of equipment to new-car dealerships under facilitation contracts, in which Snap-on provides product procurement, distribution and administrative support to customers for their dealerships' equipment programs ("the facilitation business"), as well as the full-year contribution of Bahco Group AB ("Bahco"). Bahco, a leading manufacturer and supplier of professional tools, was acquired by Snap-on on September 30, 1999.

The year-over-year improvement in 2000 net sales is attributable to an 11% increase from acquisitions (primarily Bahco) and a 5% increase in organic sales. 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. These year-over-year increases in net sales were partially offset by a 3% deterioration from unfavorable currency translation and a 1% decline

from discontinued activities. The year-over-year impact of price increases on net sales was not significant.

Net sales in 1999 increased 10% to a record $1.946 billion over the $1.773 billion posted in 1998. Organic sales growth increased 5% over 1998, driven primarily by increased unit volumes in the Snap-on Dealer Group and in the North American region of the Commercial and Industrial Group. Acquisitions contributed an additional 7%, partially offset by a 1% decline from lower emissions-testing equipment sales and a 1% decline from unfavorable currency translation.

Net sales in 1998 of $1.773 billion were up 6% over prior-year levels. Excluding the impact of acquisitions completed in 1998, sales declined 1%. The unanticipated difficulties encountered in implementing Snap-on's new enterprisewide computer system, weakness in the Asia/Pacific region and difficult comparisons to 1997, which contained an unusually high level of emissions-testing equipment sales and was a 53-week fiscal year, adversely affected the year-over-year sales comparisons.

(Amounts in millions except per share data)	2000	1999	1998
Net sales	$2,175.7	$1,945.6	$1,772.6
Net earnings (loss)	148.5	127.2	(4.8)
Net earnings (loss) per share:			
Basic	2.54	2.18	(.08)
Diluted	2.53	2.16	(.08)

EARNINGS: Snap-on reported net earnings of $148.5 million in 2000, as compared to net earnings of $127.2 million in 1999. Diluted earnings per share were a record $2.53 in 2000, as compared to $2.16 in 1999. The year-over-year increase in earnings was primarily driven by organic sales growth, the full-year impact of Bahco

and benefits from ongoing streamlining initiatives, partially offset by lower finance income, reduced gross profit margins, higher interest expense and adverse currency impacts in 2000 as compared to 1999.

Net earnings in 2000 included pre-tax charges totaling $21.8 million ($14.2 million after tax, or $.24 per diluted share) for restructuring and other non-recurring items, and pre-tax charges of $16.8 million ($10.4 million after tax, or $.18 per diluted share) for certain legal and other costs. In addition, 2000 earnings also include a one-time gain of $41.3 million ($25.4 million after tax, or $.43 per diluted share) resulting from the cumulative effect of a change in accounting for pensions.

In 2000, Snap-on incurred restructuring and non-recurring charges totaling $21.8 million, including costs to exit an unprofitable segment of the emissions-testing business. The decision to exit a segment of the emissions-testing business was prompted by continued changes in technology and emissions regulations at both the state and federal levels. Snap-on has announced that it will continue to provide customer and product support for its existing emissions-testing programs. Snap-on also reserved for costs to exit a small, loss-producing vehicle-service business in the Asia/Pacific region. In addition, Snap-on has reserved $16.8 million for certain legal and other costs, which includes $3.2 million for emissions-related asset write-downs and $13.6 million primarily for the aggressive defense and assertion of Snap-on's intellectual property rights. Snap-on estimates that approximately 50% of these collective charges will be non-cash.

In 2000, Snap-on reported a cumulative, one-time gain of $41.3 million from a change in accounting for pensions. This change, recommended by Snap-on's outside actuarial firm, did not result in any cash flow into or out of the plan, and better reflects the market-related value of benefit plan assets for financial reporting purposes. The impact of this change on 2000 operating results was to

reduce pension expense by $9.7 million.

Net earnings were $127.2 million, or $2.16 per diluted share, in 1999, as compared to a net loss of $4.8 million, or $.08 per diluted share, in 1998. In 1999, Snap-on incurred non-recurring charges totaling $37.2 million ($23.3 million after tax, or $.40 per diluted share) for restructuring and other non-recurring items associated with Snap-on's Project Simplify restructuring initiative. Project Simplify, a broad program of internal rationalizations, consolidations and reorganizations intended to make the Snap-on business operations simpler and more effective, began in the third quarter of 1998 and was essentially completed at the end of 1999. Net earnings in 1999, excluding restructuring and other non-recurring charges in both years, was up 47% over 1998 levels, driven by increased sales and improved productivity, including cost savings from Project Simplify activities. For additional Project Simplify information, refer to Note 15.

In 1998, Snap-on reported a net loss of $4.8 million, or $.08 per diluted share, including pre-tax charges totaling $149.9 million ($107.6 million after tax, or $1.82 per diluted share) for restructuring and other non-recurring items to implement Project Simplify. In addition, Snap-on also incurred increased labor and freight costs in 1998 as a result of unanticipated difficulties in aligning internal processes with a new enterprisewide computer system.

COSTS AND PROFIT MARGINS: Gross profit margin increased to $996.8 million in 2000, up 11% from $896.2 million in 1999, largely driven by increased sales volumes, including the full-year impact of Bahco. As a percentage of net sales, gross profit margin was 45.8% in 2000, down slightly from 46.1% in 1999, reflecting the impact of a planned shift in product mix to include higher volumes of lower margin sales associated with the facilitation and Bahco businesses. Bahco primarily sells its products through distributors, resulting in lower gross margins when compared to Snap-on's historical business mix. Unfavorable currency translation, as well as the impact of having significant sourcing platforms in strong currency denominated countries, also adversely affected gross profit margin. The decline in gross profit margin was somewhat offset by operating improvements and streamlining benefits.

Gross profit margin increased to $896.2 million in 1999, up 17% from $763.2 million in 1998, largely driven by increased sales volumes and significantly lower restructuring and non-recurring costs in 1999 as compared to 1998. As a percentage of net sales, gross profit margin was 46.1% in 1999, up significantly compared to 43.1% in 1998, reflecting the impact of cost savings from Project Simplify actions and improved leverage from higher sales volumes, partially offset by the shift in business mix related to the Bahco acquisition.

Margin Analysis

1996 - 1,485 Net Sales in $ millions
- 50.5% Gross Profit Margin
- 10.5% Segment Operating Margin
1997 - 1,672 Net Sales in $ millions
- 50.5% Gross Profit Margin
- 11.6% Segment Operating Margin
1998 - 1,773 Net Sales in $ millions
- 43.1% Gross Profit Margin
- 6.7% Segment Operating Margin
1999 - 1,946 Net Sales in $ millions
- 46.1% Gross Profit Margin
- 9.7% Segment Operating Margin
2000 - 2,176 Net Sales in $ millions
- 45.8% Gross Profit Margin
- 9.8% Segment Operating Margin

Operating expenses were $792.6 million in 2000, as compared to $723.7 million in 1999. The increase in year-over-year operating expenses primarily reflects the

impact of higher sales volumes and the full-year addition of Bahco. In addition, operating expenses in 2000 include $16.8 million for certain legal and other costs. Operating expenses improved from 37.2% of net sales in 1999 to 36.4% in 2000, primarily due to the planned shift in business mix associated with Bahco and higher sales in the facilitation business. Lower pension expense and benefits from Project Simplify activities also lowered operating expenses in 2000. These improvements were partially offset by unfavorable operating leverage from the less-than-anticipated level of sales in the second half of 2000, along with higher costs for recruiting and training as part of the More Feet on the Street initiative, as well as increased bad debts and higher energy-driven freight costs.

Operating expenses were $723.7 million in 1999, as compared to $705.8 million in 1998. The increase in year-over-year operating expenses was primarily due to significantly higher sales volumes in 1999, largely offset by savings generated from Project Simplify activities.

Research and engineering costs for the development of new and improved products and process improvements are included in operating expenses. These expenses totaled $50.6 million, $50.2 million and $48.6 million in 2000, 1999 and 1998. In 2000, research and engineering costs include the full-year impact of Bahco, largely offset by benefits from synergy savings and the impact of streamlining activities, as well as a shift in expenditure levels to include projects with a higher percentage of capitalizable software development costs. In 2000, Snap-on introduced more than 350 new and improved products, including new cordless impact wrenches, new cold-forged snap-ring pliers, new computerized wheel balancers, new tool storage products and new higher-strength, soft-grip ratchets.

Operating Expenses as a Percentage of Net Sales

1996 - 40.0
1997 - 38.9
1998 - 39.8
1999 - 37.2
2000 - 36.4

Research & Engineering (in $ millions)

1996 - 42
1997 - 47
1998 - 49
1999 - 50
2000 - 51

SEGMENT RESULTS: Snap-on's business segments include the Snap-on Dealer Group and the Commercial and Industrial Group. 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 reported record net sales and operating earnings of $2.176 billion and $213.7 million in 2000, as compared to net sales and operating earnings of $1.946 billion and $189.1 million in 1999. The following discussion focuses on Snap-on's reported net sales and operating earnings by segment. For additional segment information, refer to Note 16.

(Amounts in millions)	2000	1999	1998
Net sales			
Snap-on Dealer Group	$1,068.7	$1,050.9	$1,009.8
Commercial and Industrial Group	1,107.0	894.7	762.8
Total net sales	$2,175.7	$1,945.6	$1,772.6
Operating earnings			
Snap-on Dealer Group	$127.3	$120.0	$90.1

Commercial and Industrial Group	86.4	69.1	27.9
Total operating earnings	$213.7	$189.1	$118.0

Snap-on Dealer Group

Net sales in the Snap-on Dealer Group increased to $1.069 billion in 2000 from $1.051 billion in 1999, led by solid dealer sales in North America. In early 2000, Snap-on set a target to increase the number of dealers in the United States, the first such net increase since the beginning of the 1990s. Snap-on added 197 new dealers in 2000, including 137 in the United States, as part of its More Feet on the Street initiative. This initiative provides both a new opportunity and a means of enhancement for successful existing Snap-on dealers, and also provides better market penetration and service to Snap-on customers worldwide. Based on the success of the program to date, Snap-on has announced that it will further intensify its dealer expansion efforts in 2001 and 2002.

Organic sales in the Snap-on Dealer Group grew 4% year over year. Sales to North American dealers, which account for approximately 86% of Snap-on Dealer Group sales, grew 4% from 1999 levels and, in local currencies, sales in Japan, Australia and South Africa were down 1%, while sales in Europe were up 3% over the prior year.

Net sales in the Snap-on Dealer Group increased to $1.051 billion in 1999, up 4% from $1.010 billion in 1998. The year-over-year increase in net sales was primarily driven by continued strength in the North American dealer channel and a 1% average selling price increase.

Operating earnings increased 6% to $127.3 million in 2000, as compared to $120.0 million in 1999. This increase primarily resulted from enhanced dealer sales volumes, improved customer service and market penetration as a result of the net increase in dealers worldwide. The year-over-year growth in organic sales and continued cost savings from ongoing streamlining initiatives, as well as the elimination of discontinued business activities, all had a positive impact on segment operating earnings. Higher costs for recruiting and training, as part of the More Feet on the Street initiative, as well as increased bad debts and higher energy-driven freight costs, partially offset the year-over-year improvement in operating earnings.

Operating earnings increased to $120.0 million in 1999, up 33% over 1998 levels, primarily benefiting from increased sales volumes and a more favorable product mix. Year-over-year operating earnings also increased due to lower costs from Project Simplify actions and the absence of additional freight and labor costs that were incurred in 1998 as a result of unanticipated difficulties in implementing a new enterprisewide computer system.

Commercial and Industrial Group

Net sales in the Commercial and Industrial Group increased 24% to $1.107 billion in 2000, primarily led by the full-year contribution of Bahco and incremental growth in the facilitation business, partially offset by unfavorable currency translation. Bahco, which was acquired by Snap-on on September 30, 1999, is a leading manufacturer and supplier of professional hand tools, including saws and other cutting implements, files, wrenches, pliers, screwdrivers and pruning tools. Sales of Bahco(R) products for the full-year 2000 were $283 million, as compared to $75 million for the three-month period in 1999. Organic sales in the Commercial and Industrial Group grew 5% year over year, led by growth in the facilitation business, increased commercial tool sales in Europe and higher sales to industrial customers. Soft market conditions led to a year-over-year sales decline for equipment and diagnostics in both Europe and North America.

Net sales in the Commercial and Industrial Group were $894.7 million in 1999, up 17% as compared to 1998 sales of $762.7 million. The year-over-year increase in net sales was largely due to the acquisition of Bahco, the full-year

contribution of businesses acquired in 1998, higher sales to industrial customers and incremental sales in the facilitation business. These increases were partially offset by soft equipment sales and negative currency effects in Europe.

Operating earnings increased 25% to $86.4 million in 2000, as compared to $69.1 million in 1999. The increase primarily resulted from the full-year contribution of Bahco and incremental growth in the facilitation business, partially offset by the decline in equipment sales. Margin enhancements and improved profitability in Europe, along with savings generated from actions taken under Project Simplify, also added to the year-over-year improvement in operating earnings.

Operating earnings were $69.1 million in 1999, up significantly from the $27.9 million reported in 1998. Higher sales volumes, productivity enhancements and expense control from Project Simplify actions, as well as improving profitability in Europe, drove the year-over-year increase in operating earnings. The 1999 year-over-year earnings comparison was also favorably impacted by the absence of one-time costs that were incurred in 1998 related to the enterprisewide computer system conversion.

NET FINANCE INCOME: Net finance income was $38.1 million in 2000, as compared to $60.5 million in 1999. The year-over-year decline in net finance income is largely due to reduced gains on the sale of installment receivables and the adverse effect of higher interest rates in 2000, partially offset by an increase in loan originations. In 2000, originations grew 15% over prior-year levels, influenced by growth in extended credit, dealer finance and van leasing programs.

Snap-on utilizes various financing programs to facilitate the sales of its products. To reduce asset intensity from financing activities, Snap-on established a joint venture with Newcourt Finance USA Inc. ("Newcourt") in January 1999. (Subsequently, on November 15, 1999, Newcourt was acquired by The CIT Group, Inc.) The joint venture, Snap-on Credit LLC ("the LLC"), is a 50%-owned joint venture that provides financial services to Snap-on's domestic dealer and customer network. As a result of establishing the joint venture, Snap-on effectively outsourced to the LLC its domestic captive credit function that was previously managed by a wholly owned subsidiary, Snap-on Credit Corporation.

In conjunction with the establishment of the LLC, Snap-on repurchased $337.0 million of its previously securitized installment receivables and $68.3 million of its previously securitized dealer finance loan receivables. Upon repurchase, these receivables were sold to Newcourt. In a separate transaction, Snap-on also sold to Newcourt its remaining on-balance-sheet portfolio of U.S. installment receivables, including existing extended credit, equipment lease and dealer loan receivables, for an aggregate sale price of $141.1 million, resulting in a pre-tax gain of approximately $40 million. Since Newcourt had the right to put back to Snap-on the unpaid portion of the extended credit installment receivable portfolio based on the same pricing formula, this gain was recognized over a two-year period.

In 1999, net finance income was $60.5 million, down 8.2% from $65.9 million in 1998. The decline in net finance income primarily resulted from the initial outsourcing of the credit function and start-up costs associated with the establishment of the LLC. The decline in net finance income was partially offset by higher growth in originations of extended credit installment receivables, realized gains on the sale of installment receivables to Newcourt and the introduction of new credit services, such as dealer finance and van leasing programs.

RESTRUCTURING AND NON-RECURRING CHARGES: In 2000, Snap-on recorded restructuring and non-recurring charges totaling $21.8 million pretax, primarily for various exit-related costs and impairment write-downs.

In the fourth quarter of 2000, Snap-on recorded a $4.2 million restructuring charge and $17.2 million in non-recurring charges. The restructuring charge relates to the closure of a small, under-performing vehicle-service business in the Asia/Pacific region and includes costs related to severance, lease terminations and write-off of intangible assets. The non-recurring charges relate to Snap-on's decision to exit a segment of the emissions-testing business. This decision was prompted by continued changes in technology and emissions regulations at both the state and federal levels. The non-recurring charges consist of $5.6 million for expected losses on the disposition of discontinued inventory, $3.9 million for extended warranty costs and $7.7 million for other asset impairments. In the first quarter of 2000, Snap-on incurred $0.4 million in non-recurring charges for relocation, severance and facilities consolidation costs.

On the accompanying Consolidated Statements of Earnings, the $9.5 million of non-recurring charges for inventory write-downs and warranty costs related to the exit of a segment of the emissions-testing business have been reported as Cost of Goods Sold - Non-recurring Charges. The $12.3 million in Restructuring and Other Non-recurring Charges includes non-recurring charges of $7.7 million for emissions-related asset impairments and $0.4 million for other relocation, severance and facilities consolidation costs. Also included in Restructuring and Other Non-recurring Charges is $4.2 million in restructuring costs for severance and exit costs related to the closure of a vehicle-service business.

During 1999, Snap-on recorded $37.2 million in restructuring and non-recurring charges related to its Project Simplify initiative. Project Simplify, a broad program of internal rationalizations, consolidations and reorganizations to make Snap-on's business operations simpler and more effective, was approved by the board of directors in the third quarter of 1998. The 18-month program included the cost of closing facilities, employee severance costs associated with a reduction in staffing, impaired asset write-downs, costs to revalue discontinued stock keeping units ("SKUs"), legal matters and other non-recurring costs.

Of the $37.2 million in charges recorded in 1999, $16.6 million is reflected in the Consolidated Statements of Earnings as Cost of Goods Sold - Non-recurring Charges, and $20.6 million is included in Restructuring and Other Non-recurring Charges. The $16.6 million in non-recurring charges reflects the discontinuance of an emissions-testing equipment line as part of Snap-on's refocus on high-volume products. The $20.6 million of non-recurring charges represents employee incentives of $1.5 million, relocation costs of $10.9 million, professional services of $9.1 million and $4.8 million for the discontinuance of SKUs in an effort to reduce the transaction costs and working capital intensity of Snap-on's product offering and refocus on high-volume growth products. These costs were partially offset by the reversal of $5.1 million of excess warranty reserves resulting from the expiration of the extended warranty period in 1999 and the reversal of $0.6 million of excess severance costs.

Project Simplify was essentially completed and fully provided for as of year-end 1999. The initiative's savings goal, which has been achieved, was to reduce costs by approximately $60 million, with one-half of the savings realized in 1999. Snap-on achieved its original targets of closing 60 facilities, eliminating approximately 1,100 positions and discontinuing more than 12,000 SKUs, along with the consolidation of certain business units. Total charges incurred for Project Simplify were $187.5 million, and were comprised of $67.1 million of restructuring charges and $120.4 million of other non-recurring charges.

During 1998, Snap-on recorded charges of $149.9 million in its Consolidated Statements of Earnings for Project Simplify, including $60.6 million in Cost of Goods Sold - Non-recurring Charges, and $89.3 million in Restructuring and Other Non-recurring Charges. The $60.6 million included $9.7 million for additional warranty support, at no cost to the customer, for products already sold related to discontinued businesses and the elimination of $50.9 million of discontinued SKUs. Of the $89.3 million, $63.4 million represented restructuring charges and $25.9 million represented non-recurring charges. The restructuring reserve of $63.4 million included $15.5 million for severance costs, $7.6 million for non-cancelable lease agreements on the closure of facilities and other exit costs, $3.8 million for the write-down of property, plant and equipment and

other assets to net realizable value, and $36.5 million for the write-down of impaired goodwill and other intangible

assets of certain discontinued business units. The $25.9 million of non-recurring charges included costs to resolve certain legal matters of $18.7 million, including attorneys' fees and, in some cases, the likely cost to settle certain disputes that pre-dated the commencement of Project Simplify, and $7.2 million of other transitional costs. The $7.2 million includes $2.5 million of accelerated depreciation of computer equipment that was abandoned, employee incentives of $1.0 million, relocation costs of $1.2 million and professional services of $2.5 million.

INTEREST EXPENSE: Interest expense for 2000 was $40.7 million, compared with $27.4 million in 1999 and $21.2 million in 1998. The $13.3 million increase in 2000 interest expense over 1999 is primarily due to higher average debt levels in the first nine months of 2000 from the financing of the Bahco acquisition and higher interest rates. In 1999, the $6.2 million increase in year-over-year interest expense is primarily due to the Bahco acquisition.

OTHER INCOME: Other income (expense) - net includes the impact of all non-operating items, such as interest income, minority interests, disposal of fixed assets, foreign exchange transaction gains and losses, and other miscellaneous items. In 2000, other income totaled $3.3 million. In 1999, other income totaled $12.9 million and primarily included a gain on the sale of a 15% interest in Mitchell Repair Information Company, LLC ("MRIC"), a subsidiary of Snap-on, and a net gain on a currency hedge for the purchase of Bahco. Other expense was $2.0 million in 1998.

(Amounts in millions)	2000	1999	1998
Other income (expense) - net:			
Interest income	$3.3	$1.2	$1.2
Other income (expense)	-	11.7	(3.2)
Total	$3.3	$12.9	$(2.0)

INCOME TAXES: Snap-on's reported effective income tax rate was 36.5% for 2000, 35.7% for 1999 and 144.1% for 1998. For additional income tax information, refer to Note 8.

FOURTH QUARTER: Net sales for the fourth quarter of 2000 were $556.3 million, down slightly from $566.7 million in the comparable prior-year period. The year-over-year decline in net sales reflects a 5% negative impact from adverse currency translations. Organic sales in the fourth quarter grew 3% over the prior year, largely due to increased North American dealer sales, solid gains in sales at Bahco and growth in the facilitation business.

Net earnings were $13.7 million in 2000, down from $27.4 million in 1999. Earnings per diluted share were $.24, compared with $.47 in the prior year. In 2000, Snap-on incurred pre-tax charges totaling $21.4 million ($14.1 million after tax, or $.24 per diluted share), including $9.5 million for non-recurring charges for inventory write-downs and warranty costs related to the exit of a segment of the emissions-testing business; $7.7 million for non-recurring, emissions-related asset impairments; and $4.2 million in restructuring costs for severance and exit costs related to a small, loss-producing vehicle-service business in the Asia/Pacific region. The $9.5 million in non-recurring charges has been reported in Cost of Goods Sold - Non-recurring Charges on the accompanying Consolidated Statements of Earnings. The $7.7 million in other non-recurring charges, as well as the $4.2 million in restructuring costs, have been reported in Restructuring and Other Non-recurring Charges. Snap-on also reserved $16.8 million ($10.4 million after tax, or $.18 per diluted share) for certain legal and other costs, which includes $3.2 million for emissions-related asset write-downs and $13.6 million primarily for the aggressive defense and

assertion of Snap-on's intellectual property rights. The $16.8 million has been reported in Operating Expenses on the accompanying Consolidated Statements of Earnings. In the fourth quarter of 1999, earnings included pre-tax charges of $22.9 million ($14.4 million after tax, or $.24 per diluted share) for restructuring and other non-recurring charges comprised of $16.9 million for the discontinuance of an emissions-testing equipment line; $4.8 million for the discontinuance of inventory SKUs; and $7.2 million for other non-recurring costs ($0.4 million of employee incentives, $3.9 million of relocation costs and $2.9 million in professional services), less the reversal of $6.0 million of excess reserves.

The year-over-year decline in net earnings also reflects increased costs for recruiting and training as part of the More Feet on the Street initiative, as well as increased bad debts and higher energy-driven freight costs, coupled with lower year-over-year finance income. These declines more than offset the improvement in operating earnings from organic sales growth, increased profitability at Bahco and other European activities, and reduced pension expense. Net finance income was $7.5 million in 2000, down from $14.1 million in 1999, largely due to reduced gains on the sale of installment receivables and the adverse effect of higher interest rates in 2000.

FOREIGN CURRENCY: Snap-on has significant international manufacturing operations. Foreign exchange risk exists to the extent that Snap-on has payment obligations or receipts denominated in currencies other than the functional currency of the various manufacturing operations. To manage these exposures, Snap-on identifies naturally offsetting positions and then purchases hedging

instruments to protect the remaining net anticipated exposures. In addition, Snap-on hedges the anticipated repayment of intercompany loans to foreign subsidiaries denominated in foreign currencies. For additional information, refer to Note 9.

Financial Condition

Snap-on's financial condition continues to be strong and Snap-on believes it has the resources necessary to meet future anticipated funding needs. Growth has historically been supported by a combination of cash provided by operating activities and debt financing.

(Amounts in millions)	2000	1999	1998
Net cash provided by operating activities	$190.2	$235.6	$75.0
Net increase (decrease) in debt	(86.5)	290.1	164.8

Net cash provided by operating activities was $190.2 million in 2000, $235.6 million in 1999 and $75.0 million in 1998. Snap-on used its cash flow in 2000 principally to fund internal growth opportunities, including the More Feet on the Street initiative, stock repurchases, dividend payments and debt repayments. In 2000, Snap-on reduced its year-over-year net debt levels by $86.5 million as a result of its strong cash flow and reduced working capital. As of year-end 2000, the ratio of total debt to total invested capital had improved to 39.2% from 43.3% at the end of 1999.

Net debt financing amounted to $274.2 million in 1999, as compared to $148.8 million in 1998. The increase in 1999 net debt financing over the prior year primarily reflects the impact of financing the September 1999 Bahco acquisition. As of year-end 1999, the ratio of total debt to total invested capital was 43.3%, as compared to 30.8% at year-end 1998, primarily due to the cash purchase of Bahco, which was funded through assumed debt and the expansion of an existing commercial paper credit facility. In 1998, net debt increased largely due to acquisitions, share repurchases and increased working capital requirements.

Net Cash Provided by Operating Activities (in $ millions)

1996 - 136
1997 - 195
1998 - 75
1999 - 236
2000 - 190

Average Working Capital as a Percent of Net Sales

1996 - 43.3
1997 - 40.2
1998 - 36.4
1999 - 35.3
2000 - 32.2

LIQUIDITY: Snap-on's working capital at the end of 2000 was $648.4 million, down $105.2 million from year-end 1999 levels. Improved asset utilization and operating efficiencies, including higher inventory turnover and an increase in current liabilities, contributed to the working capital reduction. In 1999, working capital increased $131.8 million over 1998 levels to $753.6 million, primarily due to the acquisition of Bahco. In 1998, working capital decreased $47.4 million as the sale of installment receivables during 1998 more than offset the negative effects of acquisitions and increased working capital requirements, primarily for inventories. Over the last five years, Snap-on has consistently reduced the amount of working capital required to support its sales growth.

The ratio of current assets to current liabilities at year-end 2000 was 2.2 to 1, compared with 2.7 to 1 at year-end 1999 and 2.4 to 1 at year-end 1998. Cash and cash equivalents were $6.1 million at December 30, 2000, compared to $17.6 million and $15.0 million at year-end 1999 and 1998.

(Amounts in millions)	2000	1999	1998
Current assets	$1,186.4	$1,206.3	$1,079.8
Current liabilities	538.0	452.7	458.0
Working capital	$648.4	$753.6	$621.8

Accounts receivable at the end of 2000 were $644.5 million, up $26.8 million compared with year-end 1999, largely due to higher year-over-year sales volumes and an increase in dealer financing receivables. In 1999, accounts receivable increased principally as a result of the Bahco acquisition. In 1998, accounts receivable increased $15.1 million to $554.7 million, largely due to acquisitions, partially offset by the sale of installment receivables under asset securitization programs. Bad debt write-offs in 2000 represented 2.2% of average accounts receivable, compared with 1.9% in 1999 and 2.1% in 1998.

Inventories at year-end 2000 were $418.9 million, down $35.9 million from year-end 1999. The decrease in year-over-year inventory levels reflects increased inventory turns as a result of operating improvements and currency translation impacts. In 1999, inventories increased $79.4 million over year-end 1998, primarily due to the acquisition of Bahco. In 1998, inventories increased by $2.2 million, primarily due to acquisition-related increases.

Notes payable and current maturities of long-term debt totaled $70.3 million at the end of 2000, compared with $22.3 million at year-end 1999 and $93.1 million at year-end 1998. Current maturities of long-term debt were $4.9 million, $4.4 million and $2.2 million at year-end 2000, 1999 and 1998. At the end of 2000, Snap-on had $365.5 million in outstanding short-term commercial

notes that were classified as long term as Snap-on has the ability, under its revolving credit facilities, to refinance this debt on a long-term basis. This compares with outstanding short-term commercial notes of $498.7 million and

$100.0 million that were classified as long term at year-end 1999 and 1998.

At December 30, 2000, Snap-on had $625 million of multi-currency revolving credit facilities to support its commercial paper programs. Snap-on has a $208 million revolving credit facility with a five-year term that expires August 20, 2005. Snap-on also has a $417 million credit facility, which is a 364-day facility with a term-out option that allows for a one-year extension after the August 20, 2001, termination date. At the end of 2000 and 1999, Snap-on was in compliance with all covenants of its revolving credit facilities and there were no outstanding borrowings under either revolving credit agreement.

Average commercial paper and bank notes outstanding were $529.1 million in 2000 and $243.0 million in 1999. The weighted-average interest rate on these instruments was 5.9% in 2000 and 5.3% in 1999. As of December 30, 2000, and January 1, 2000, commercial paper and bank notes outstanding had a weighted-average interest rate of 6.1% and 6.0%.

In addition to its revolving credit facilities, Snap-on has a $300 million shelf registration that allows for the issuance from time to time of up to $300 million in unsecured indebtedness. In October 1995, Snap-on issued $100 million of its notes pursuant to this shelf registration. The notes, which mature in their entirety on October 1, 2005, require payment of interest on a semiannual basis at a rate of 6.625%.

Snap-on believes these sources of borrowing, coupled with cash from operations, are sufficient to support working capital requirements, finance capital expenditures, make acquisitions, repurchase common stock and pay dividends. Snap-on's high credit rating over the years has ensured that external funds are available at a reasonable cost. At the end of 2000, Snap-on's long-term debt was rated A1 and A+ by Moody's Investor Service and Standard & Poor's, respectively. Snap-on believes the strength of its balance sheet provides the financial flexibility to respond to both internal growth opportunities and those available through acquisition.

Total Debt as a Percent of Total Invested Capital

1996 - 17.3
1997 - 16.4
1998 - 30.8
1999 - 43.3
2000 - 39.2

Total Invested Capital* (in $ millions)

1996 - 1,001
1997 - 1,067
1998 - 1,102
1999 - 1,455
2000 - 1,387

* Total debt plus shareholders' equity.

CAPITAL EXPENDITURES / DEPRECIATION AND AMORTIZATION: Capital expenditures in 2000 were $57.6 million, as compared to $35.4 million in 1999 and $46.8 million in 1998. The impact of full-year capital expenditures at Bahco was a principal cause for the year-over-year increase in 2000. Investments for the year included additional upgrades to computer systems, including Snap-on's new Web site, as well as the ongoing replacement and upgrade of manufacturing and distribution facilities and equipment. Snap-on anticipates that 2001 capital expenditures will be in the range of $50 million to $55 million.

Depreciation in 2000 was $48.4 million, compared with $41.3 million in 1999 and $34.8 million in 1998. The year-over-year increases reflect higher capital spending levels, largely due to acquisitions. Amortization expense was $17.8 million in 2000, $14.1 million in 1999 and $10.2 million in 1998. Acquisitions and the amortization of resulting goodwill and other intangibles accounted for the higher expense in each year.

(Amounts in millions)	2000	1999	1998
Capital expenditures	$57.6	$35.4	$46.8
Depreciation	48.4	41.3	34.8
Amortization	17.8	14.1	10.2

DIVIDENDS: At its June 2000 meeting, the board of directors declared a 4.3% increase in the quarterly dividend on Snap-on's common stock, raising the annual dividend rate to $.96 per share. Snap-on has paid consecutive quarterly cash dividends since 1939.

(Amounts in millions except per share data)	2000	1999	1998
Cash dividends paid	$55.0	$52.6	$51.0
Cash dividends paid per common share	.94	.90	.86
Cash dividends paid as a percent of prior-year retained earnings	5.7%	6.0%	5.4%

Capital Expenditures (in $ millions)

1996 - 52
1997 - 55
1998 - 47
1999 - 35
2000 - 58

Depreciation & Amortization (in $ millions)

1996 - 32
1997 - 38
1998 - 45
1999 - 55
2000 - 66

STOCK REPURCHASE PROGRAM: At its January 1999 meeting, the board of directors authorized the repurchase of up to $50 million of Snap-on common stock. This action followed the board's authorization in 1998 to repurchase up to $100 million of common stock and its authorization in 1997 for up to $100 million of common stock. At the end of 2000, all of the 1999 authorization and a significant portion of the 1998 authorization, or approximately $129 million in total, remained available. In addition, an authorization by the board of directors is currently in effect to repurchase common shares of Snap-on in an amount equivalent to the number of shares issued in connection with the exercise of employee and dealer stock purchase programs, options and other similar issuances. Snap-on repurchased 1,019,500 shares of its common stock in 2000, following the repurchase of 492,800 shares in 1999 and 2,279,400 shares in 1998. Since 1995, Snap-on has repurchased 9,589,583 shares for $297 million.

Other Matters

ACQUISITIONS: During 2000, Snap-on acquired full ownership of two business operations. The aggregate cash purchase price of these acquisitions, plus costs related to the finalization of 1999 acquisitions, was $11.9 million. Each of the acquisitions provided Snap-on with a complementary product line, new customer relationships, access to additional distribution and/or an extended geographic reach.

On September 30, 1999, Snap-on acquired Bahco Group AB, formerly known as Sandvik Saws and Tools, from Sandvik AB for $391 million in a cash purchase transaction. Also during 1999, Snap-on acquired the remaining 40% of MRIC and full ownership of three businesses for an aggregate cash purchase price of $73.9 million.

During 1998, Snap-on acquired full or partial ownership of five business operations and an additional 10% interest in MRIC for an aggregate cash purchase price of $79.5 million.

DIVESTITURES: During 2000, Snap-on divested Windsor Forestry Tools Inc. ("Windsor"), which was acquired as part of the Bahco acquisition. As Windsor was accounted for as "held for sale" in accordance with Accounting Principles Board Opinion No. 16, it has had no impact on Snap-on's Consolidated Statements of Earnings. The sale of Windsor resulted in cash proceeds of $15.5 million and a resulting adjustment to goodwill.

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

ACCOUNTING PRONOUNCEMENTS: In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities," which establishes accounting and reporting standards for derivative instruments and for hedging activities. In June 1999, the FASB issued SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities - Deferral of the Effective Date of FASB Statement No. 133 - an amendment of FASB Statement No. 133." In June 2000, the FASB issued SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities - an amendment of FASB Statement No. 133."

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, depending on the type of hedge 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 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. These new standards could result in additional volatility in reported earnings, other comprehensive income and accumulated other comprehensive income.

These standards became effective for Snap-on at the beginning of its 2001 fiscal year - December 31, 2000. Snap-on will record the cumulative effect adjustment resulting from the transition to these new accounting requirements as an adjustment to accumulated other comprehensive income (loss). The effect of this change in accounting is not material to Snap-on's results of operations or financial position.

VALUE AT 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.

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 December 30, 2000, was $0.4 million on interest rate-sensitive financial instruments and $2.5 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.

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

OUTLOOK: Softening market conditions suggest that caution is appropriate in formulating expectations for first-half 2001 performance. However, Snap-on expects that, as a result of its growth initiatives, its market opportunities and an improved second-half economy, 2001 will be a year of solid sales, operating profit and earnings per share.

The priorities for Snap-on in 2001 are to concentrate on supporting organic growth in its core businesses, realizing the synergies from the Bahco acquisition, driving continuous improvement throughout the organization and further enhancing capabilities for customer service. Snap-on also expects to focus its efforts on further strengthening financial returns on invested capital and generating free cash flow.

Overall, Snap-on believes that the long-term underlying fundamental trends that influence its business remain sound. The Snap-on brand is the leading brand preferred by professional technicians. High quality, product performance, exacting standards, customer service, strong relationships and innovation remain the guiding principles throughout Snap-on. Emphasis will remain on supporting Snap-on's traditional growth drivers: developing new, innovative products and services, enhancing the delivery of value to its customers, and reinforcing its strong brand recognition.

"SAFE HARBOR": Statements in this document that are not historical facts, including statements (i) that include the words "believes," "expects," "anticipates," or "estimates" or similar words with reference to Snap-on or management; (ii) specifically identified as forward-looking; or (iii) describing Snap-on's or management's future 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. Some of these factors are discussed below, as well as elsewhere in this document, and in Snap-on's Securities and Exchange Commission filings. These factors include the timing and progress with which Snap-on can continue to achieve higher productivity and attain further cost reductions; Snap-on's ability to adapt to management changes as part of the management succession process, to retain and attract dealers, to integrate Bahco 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; and the absence of significant changes in the current competitive environment, inflation, 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.

Consolidated Statements of Earnings

(Amounts in millions except per share data)	2000	1999	1998
Net sales	$2,175.7	$1,945.6	$1,772.6
Cost of goods sold	(1,169.4)	(1,032.8)	(948.8)
Cost of goods sold - non-recurring charges	(9.5)	(16.6)	(60.6)
Operating expenses	(792.6)	(723.7)	(705.8)
Net finance income	38.1	60.5	65.9
Restructuring and other non-recurring charges	(12.3)	(20.6)	(89.3)
Interest expense	(40.7)	(27.4)	(21.2)
Other income (expense) - net	3.3	12.9	(2.0)
Earnings from continuing operations before income taxes	192.6	197.9	10.8
Income taxes on earnings from continuing operations	69.5	70.7	15.6
Earnings (loss) before cumulative effect of a change in accounting principle	123.1	127.2	(4.8)
Cumulative effect of a change in accounting principle for pensions, net of tax of $15.9 million	25.4	-	-
Net earnings (loss)	$ 148.5	$ 127.2	$ (4.8)
Net earnings (loss) per share - basic:			
Earnings (loss) before cumulative effect of a change in accounting principle	$ 2.11	$ 2.18	$ (.08)
Cumulative effect of a change in accounting principle, net of tax	.43	-	-
Net earnings (loss) per share - basic	$ 2.54	$ 2.18	$ (.08)
Net earnings (loss) per share - diluted:			
Earnings (loss) before cumulative effect of a change in accounting principle	$ 2.10	$ 2.16	$ (.08)
Cumulative effect of a change in accounting principle, net of tax	.43	-	-
Net earnings (loss) per share - diluted	$ 2.53	$ 2.16	$ (.08)
Weighted-average shares outstanding:			
Basic	58.4	58.5	59.2
Effect of dilutive options	.2	.4	-
Diluted	58.6	58.9	59.2
Pro forma amounts assuming retroactive application of a change in accounting for pensions:			
Net earnings (loss)	$ 123.1	$ 133.3	$ (.2)
Net earnings per share - basic	2.11	2.28	.00
Net earnings per share - diluted	2.10	2.26	.00

See Notes to Consolidated Financial Statements.

Consolidated Balance Sheets

(Amounts in millions except share data)	December 30, 2000	January 1, 2000
ASSETS		
Current assets		
Cash and cash equivalents	$ 6.1	$ 17.6
Accounts receivable - net of allowances	644.5	617.7
Inventories	418.9	454.8
Prepaid expenses and other assets	116.9	116.2
Total current assets	1,186.4	1,206.3
Property and equipment - net	345.1	362.6
Deferred income tax benefits	33.0	54.7

Intangibles - net	424.6	453.3
Other assets	61.3	72.9
Total assets	$ 2,050.4	$ 2,149.8
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$ 161.0	$ 146.4
Notes payable and current maturities of long-term debt	70.3	22.3
Accrued compensation	56.3	57.5
Dealer deposits	39.8	48.3
Deferred subscription revenue	44.9	42.1
Other accrued liabilities	165.7	136.1
Total current liabilities	538.0	452.7
Long-term debt	473.0	607.5
Deferred income taxes	24.7	27.0
Retiree health care benefits	92.2	91.4
Pension liability	41.4	96.2
Other long-term liabilities	37.1	49.7
Total liabilities	1,206.4	1,324.5
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 66,789,090 and 66,729,457 shares	66.8	66.7
Additional paid-in capital	71.6	62.3
Retained earnings	1,051.3	957.8
Accumulated other comprehensive income (loss)	(87.2)	(35.8)
Grantor stock trust at fair market value - 6,443,033 and 6,677,450 shares	(179.6)	(177.4)
Treasury stock at cost - 2,523,435 and 1,505,339 shares	(78.9)	(48.3)
Total shareholders' equity	844.0	825.3
Total liabilities and shareholders' equity	$ 2,050.4	$ 2,149.8

See Notes to Consolidated Financial Statements.

Consolidated Statements of Shareholders' Equity and Comprehensive Income

(Amounts in millions except share data)	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Grantor Stock Trust	Treasury Stock	Total Shareholders' Equity
Balance at January 3, 1998	$66.5	$82.7	$939.0	$(30.4)	$ -	$(165.7)	$892.1
Comprehensive income:							
Net loss for 1998			(4.8)				
Foreign currency translation				2.7			
Minimum pension liability				(2.5)			
Total comprehensive income (loss)							(4.6)
Cash dividends - $.86 per share			(51.0)				(51.0)
Dividend reinvestment plan - 33,620 shares		.9					.9
Stock plans - 179,422 shares	.2	7.3					7.5
Establishment of grantor stock trust with 7,100,000 treasury shares		36.5			(255.1)	218.6	-
Grantor stock trust - 175,981 shares					3.8		3.8
Share repurchase, net of reissuance - 2,159,911 shares		.3				(86.6)	(86.3)
Adjustment of grantor stock trust to fair market value		(10.3)			10.3		-
Balance at January 2, 1999	66.7	117.4	883.2	(30.2)	(241.0)	(33.7)	762.4
Comprehensive income:							
Net earnings for 1999			127.2				
Foreign currency translation				(5.4)			
Minimum pension liability				(.2)			
Total comprehensive income (loss)							121.6
Cash dividends - $.90 per share			(52.6)				(52.6)
Dividend reinvestment plan - 38,809 shares		1.2					1.2
Stock plans - 5,479 shares		.4					.4
Grantor stock trust - 246,569 shares					6.9		6.9
Share repurchase, net of reissuance - 489,115 shares						(14.6)	(14.6)
Adjustment of grantor stock trust to fair market value		(56.7)			56.7		-
Balance at January 1, 2000	66.7	62.3	957.8	(35.8)	(177.4)	(48.3)	825.3
Comprehensive income:							
Net earnings for 2000			148.5				

Foreign currency translation				(52.0)			
Minimum pension liability				.6			
Total comprehensive income (loss)							97.1
Cash dividends - $.94 per share			(55.0)				(55.0)
Dividend reinvestment plan - 50,725 shares	.1	1.3					1.4
Stock plans - 8,908 shares		.3					.3
Grantor stock trust - 234,417 shares					5.5		5.5
Share repurchase, net of reissuance - 1,018,096 shares						(30.6)	(30.6)
Adjustment of grantor stock trust to fair market value		7.7			(7.7)		-
Balance at December 30, 2000	$66.8	$71.6	$1,051.3	$(87.2)	$(179.6)	$(78.9)	$844.0

See Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

(Amounts in millions)	2000	1999	1998
Operating activities			
Net earnings (loss)	$ 148.5	$ 127.2	$ (4.8)
Adjustments to reconcile net earnings (loss) to net cash provided (used) by operating activities:			
Cumulative effect of a change in accounting principle for pensions, net of tax	(25.4)	-	-
Depreciation	48.4	41.3	34.8
Amortization of intangibles	17.8	14.1	10.2
Deferred income tax provision	9.7	16.3	13.1
(Gain) on sale of assets	(1.5)	(1.3)	(7.3)
(Gain) on dispositions of businesses	-	(4.4)	-
Restructuring and other non-recurring charges, net of tax	14.2	23.3	107.6
Changes in operating assets and liabilities, net of effects of acquisitions:			
(Increase) decrease in receivables	(50.2)	21.6	11.8
(Increase) decrease in inventories	9.0	(5.7)	(28.9)
(Increase) decrease in prepaid and other assets	5.8	42.0	35.7
Increase (decrease) in accounts payable	17.9	7.4	(13.4)
Increase (decrease) in accruals and other liabilities	(4.0)	(46.2)	(83.8)
Net cash provided by operating activities	190.2	235.6	75.0
Investing activities			
Capital expenditures	(57.6)	(35.4)	(46.8)
Acquisitions of businesses - net of cash acquired	(11.9)	(440.7)	(79.5)
Dispositions of businesses	15.5	21.3	-
Disposal of property and equipment	11.7	6.5	16.7
Net cash used in investing activities	(42.3)	(448.3)	(109.6)
Financing activities			
Payment of long-term debt	(8.0)	(48.7)	(3.6)
Increase in long-term debt	6.3	6.8	48.2
Increase (decrease) in short-term borrowings - net	(77.9)	316.2	104.2
Purchase of treasury stock	(30.6)	(14.6)	(86.6)
Proceeds from stock purchase and option plans	7.1	8.5	12.4
Cash dividends paid	(55.0)	(52.6)	(51.0)
Net cash provided by (used in) financing activities	(158.1)	215.6	23.6
Effect of exchange rate changes on cash	(1.3)	(.3)	.4
Increase (decrease) in cash and cash equivalents	(11.5)	2.6	(10.6)
Cash and cash equivalents at beginning of year	17.6	15.0	25.6
Cash and cash equivalents at end of year	$ 6.1	$ 17.6	$ 15.0
Supplemental cash flow disclosures:			
Cash paid for interest	$ 40.8	$ 27.4	$ 20.9
Cash paid for income taxes	54.0	26.4	66.2

See Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

Note 1: Nature of Operations

Snap-on Incorporated ("Snap-on") is a leading global developer, manufacturer and marketer of tool, diagnostic and equipment solutions for professional tool users. Product lines include hand and power tools, tool storage products, shop equipment, saws and cutting tools, pruning tools, under-hood diagnostics

equipment, under-car equipment, safety-testing equipment, collision repair equipment, vehicle service information, business management systems, services, and other solutions for the transportation service, industrial, agricultural, and other commercial industries. Snap-on's customers include professional automotive technicians, shop owners, franchised service centers, national accounts, original equipment manufacturers and industrial, agricultural, and commercial tool and equipment users worldwide.

Note 2: Summary of Accounting Policies
PRINCIPLES OF CONSOLIDATION AND PRESENTATION: The consolidated financial statements include the accounts of Snap-on and its majority-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated. Snap-on Credit LLC ("the LLC"), a 50%-owned joint venture with The CIT Group, Inc. ("CIT"), is recorded using the equity method. Certain prior-year amounts have been reclassified to conform with the current-year presentation.

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

FISCAL YEAR ACCOUNTING PERIOD: Snap-on's fiscal year ends on the Saturday nearest December 31. The 2000, 1999 and 1998 fiscal years ended on December 30, 2000, January 1, 2000, and January 2, 1999. The 2000, 1999 and 1998 fiscal years each contained 52 weeks.

REVENUE RECOGNITION: Snap-on recognizes revenues at the time that products are shipped or services are performed, and accrues for estimated future returns in the period in which the sale is recorded. Franchise fee revenue is recognized as the fees are earned. Revenue from franchise fees was not material in any year. Subscription revenue is deferred and recognized over the life of the subscription.

CASH EQUIVALENTS: Snap-on considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Cash equivalents are stated at cost, which approximates market value.

INVENTORIES: Inventories consist of manufactured products and merchandise for resale and are stated at the lower of cost or market. Manufactured products include the costs of materials, labor and manufacturing overhead. Inventories accounted for using the first-in, first-out (FIFO) method approximated 63% and 61% of total inventory as of year-end 2000 and 1999. All other inventories are generally determined using the last-in, first-out (LIFO) cost method. For additional inventory information, refer to Note 4.

PROPERTY AND EQUIPMENT: Property and equipment is stated at cost less accumulated depreciation and amortization. Depreciation and amortization are provided on a straight-line basis over estimated useful lives. Accelerated depreciation methods are used for income tax purposes. Capitalized software included in property and equipment reflects costs related to internally developed or purchased software for internal use that are capitalized and amortized on a straight-line basis over their estimated useful life. Development costs for computer software to be sold, leased or otherwise marketed externally are also capitalized and amortized on a straight-line basis over their estimated useful life. Capitalized software is subject to an ongoing assessment of recoverability based upon anticipated future revenues and identified changes in hardware and software technologies. For additional property and equipment information, refer to Note 5.

INTANGIBLES: Goodwill and other intangibles arising from business acquisitions are being amortized over 13 to 40 years on a straight-line basis. Goodwill, net of accumulated amortization, was $360.0 million and $389.2 million at the end of 2000 and 1999. Goodwill amortization was $14.9 million, $11.8 million and $8.5 million for 2000, 1999 and 1998. Accumulated amortization of goodwill was $42.5 million and $27.6 million at the end of 2000 and 1999. Snap-on continually evaluates the existence of goodwill impairment on the basis of whether the

goodwill is fully recoverable from projected, undiscounted net cash flows of the related business unit. Intangibles also include patents and trademarks of $64.6 million and $64.1 million at year-end 2000 and 1999 that are being amortized over their useful life.

RESEARCH AND ENGINEERING: Research and engineering costs are charged to expense in the year incurred. For 2000, 1999 and 1998, these costs were $50.6 million, $50.2 million and $48.6 million.

INCOME TAXES: Deferred income taxes are provided for temporary differences arising from differences in bases of assets and liabilities for tax and financial reporting purposes. Deferred income taxes are recorded on temporary differences at the tax rate expected to be in effect when the temporary differences reverse. For detailed tax information, refer to Note 8.

FOREIGN CURRENCY TRANSLATION: The financial statements of Snap-on's foreign subsidiaries are translated into U.S. dollars in accordance with Statement of Financial Accounting Standards ("SFAS") No. 52, "Foreign Currency Translation." Assets and liabilities of foreign subsidiaries are translated at current rates of exchange, and income and expense items are translated at the average exchange rate for the year. The resulting translation adjustments are recorded directly into Accumulated Other Comprehensive Income (Loss) in the accompanying Consolidated Balance Sheets. Foreign exchange transaction gains and losses are reported in net income and were not material in any year.

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

ADVERTISING AND PROMOTION EXPENSE: Production costs of future media advertising are deferred until the advertising occurs. All other advertising and promotion costs are generally expensed when incurred.

WARRANTIES: Snap-on provides product warranties for specific product lines and accrues for estimated future warranty costs in the period in which the sale is recorded.

DERIVATIVES: Snap-on utilizes derivative financial instruments, including interest rate swaps and foreign exchange contracts, to manage its exposure to interest rate and foreign currency exchange rate risks. Snap-on does not hold or issue financial instruments for trading purposes. For detailed financial instrument information, refer to Note 9.

ACCOUNTING PRONOUNCEMENTS: In June 1998, the Financial Accounting Standards Board ("FASB") issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," which establishes accounting and reporting standards for derivative instruments and for hedging activities. In June 1999, the FASB issued SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities - Deferral of the Effective Date of FASB Statement No. 133 - an amendment of FASB Statement No. 133." In June 2000, the FASB issued SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities - an amendment of FASB Statement No. 133."

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, depending on the type of hedge 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 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. These new standards could result in additional volatility in reported earnings, other comprehensive income and

accumulated other comprehensive income.

These standards became effective for Snap-on at the beginning of its 2001 fiscal year - December 31, 2000. Snap-on will record the cumulative effect adjustment resulting from the transition to these new accounting requirements as an adjustment to accumulated other comprehensive income (loss). The effect of this change in accounting is not material to Snap-on's results of operations or financial position.

PER SHARE DATA: Basic earnings per share calculations were computed by dividing net earnings by the corresponding weighted-average number of common shares outstanding for the period. The dilutive effect of the potential exercise of outstanding options to purchase common shares is calculated using the treasury stock method. Diluted earnings per share is the same as basic earnings per share in periods where the effect is anti-dilutive (that is, the calculation results in increased earnings per share or reduces net loss per share). Snap-on had dilutive shares as of December 30, 2000, and January 1, 2000, of 175,155 shares and 383,200 shares. As of January 2, 1999, Snap-on had 576,000 shares that were anti-dilutive.

Note 3: Acquisitions and Divestitures
During 2000, Snap-on acquired full ownership of two business operations. The aggregate cash purchase price of these acquisitions, plus costs related to the finalization of 1999 acquisitions, was $11.9 million. Pro forma financial information has not been presented for the 2000 acquisitions, as the effects of these businesses, individually and in the aggregate, were not material.

On September 30, 1999, Snap-on acquired Bahco Group AB ("Bahco"), formerly known as Sandvik Saws and Tools, from Sandvik AB for $391 million in a cash purchase transaction. Also during 1999, Snap-on acquired the remaining 40% of Mitchell Repair Information Company, LLC ("MRIC") and full ownership of three businesses for an aggregate cash purchase price of $73.9 million. During the fourth quarter of 1999, Snap-on sold a 15% interest in MRIC to Genuine Parts Company.

The acquisition of Bahco, a manufacturer and supplier of professional tools, was accounted for as a purchase and the results of Bahco have been included in the accompanying consolidated financial statements since the date of acquisition. The total purchase price of $391 million included the purchase of facilities, a number of brand names and trademarks, and certain other assets and liabilities. The acquisition was funded through working capital and an expansion of an existing commercial paper credit facility. A goodwill allocation in accordance with the criteria established under Accounting Principles Board ("APB") Opinion No. 16, "Business Combinations," has been performed. The cost of the acquisition has been allocated on the basis of the fair market value of the assets acquired and the liabilities assumed, resulting in goodwill of $230 million.

The allocation of the purchase price of $391 million, which includes direct acquisition costs of $14 million, is as follows:

(Amounts in millions)

Fair value of property and equipment	$98
Fair value of patents and trademarks	25
Other net assets acquired	38
Goodwill	230
Purchase price	$391

Assigned useful lives are as follows:

Patents	13 years
Trademarks	40 years
Goodwill	40 years

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

(Amounts in millions except per share data)	1999	1998
Net sales:		
As reported	$1,945.6	$1,772.6
Pro forma (unaudited)	2,174.6	2,096.5
Net earnings (loss):		
As reported	127.2	(4.8)
Pro forma (unaudited)	123.7	(.5)
Earnings (loss) per share - basic:		
As reported	2.18	(.08)
Pro forma (unaudited)	2.11	(.01)
Earnings (loss) per share - diluted:		
As reported	2.16	(.08)
Pro forma (unaudited)	2.10	(.01)

During 2000, Snap-on divested Windsor Forestry Tools Inc. ("Windsor"), which was acquired as part of the Bahco acquisition. As Windsor was accounted for as "held for sale" in accordance with APB Opinion No. 16, it has had no impact on Snap-on's Consolidated Statements of Earnings. The sale of Windsor resulted in cash proceeds of $15.5 million and a resulting adjustment to goodwill.

During 1998, Snap-on acquired full or partial ownership of five business operations and an additional 10% interest in MRIC for an aggregate cash purchase price of $79.5 million.

Note 4: Inventories
The components of Snap-on's inventories were as follows:

(Amounts in millions)	2000	1999
Finished stock	$386.0	$418.5
Work in process	45.1	47.9
Raw materials	79.7	81.8
Excess of current cost over LIFO cost	(91.9)	(93.4)
Total inventories	$418.9	$454.8

Note 5: Property and Equipment
Snap-on's property and equipment values, which are carried at cost, were as follows:

(Amounts in millions)	2000	1999
Land	$ 24.3	$ 26.8
Buildings and improvements	204.8	207.9
Machinery and equipment	477.2	454.1
	706.3	688.8
Less: accumulated depreciation	(361.2)	(326.2)

Property and equipment - net	$345.1	$362.6

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

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

Note 6: Accounts Receivable

Accounts receivable include trade and installment receivables. At the end of 2000 and 1999, the allowance for doubtful accounts was $40.9 million and $27.8 million.

Gross installment receivables amounted to $89.7 million and $98.4 million at the end of 2000 and 1999, and include $15.0 million and $16.0 million of unearned finance charges at the end of 2000 and 1999. Gross installment receivables of $41.3 million and $43.9 million are due beyond one year from the end of 2000 and 1999.

On January 3, 1999, Snap-on and Newcourt Finance USA Inc. ("Newcourt") established the LLC, a joint venture that provides financial services to Snap-on's domestic dealer and customer network. Snap-on also provides financing internationally through its wholly owned credit subsidiaries. As a result of establishing the LLC, Snap-on effectively outsourced to the LLC its domestic captive credit function, which was previously managed by Snap-on's wholly owned subsidiary, Snap-on Credit Corporation. On November 15, 1999, Newcourt was acquired by CIT. Snap-on receives income from fees paid by the LLC, which are based primarily upon the volume of installment receivables originated by the LLC. CIT provides services and expertise to the LLC and is paid a fee by the LLC for such services. The management fee paid to CIT is also based primarily on the volume of installment receivables originated by the LLC. CIT receives warehousing and securitization fees from the LLC in connection with the purchased receivables.

In conjunction with the establishment of the LLC, Snap-on repurchased $337.0 million of its previously securitized installment receivables and $68.3 million of its previously securitized dealer finance loan receivables. Upon repurchase, these receivables were sold to Newcourt. In a separate transaction, Snap-on also sold to Newcourt its remaining on-balance-sheet portfolio of U.S. installment receivables, including existing extended credit, equipment lease and dealer loan receivables, for an aggregate sale price of $141.1 million, resulting in a pre-tax gain of approximately $40 million. Since Newcourt had the right to put back to Snap-on the unpaid portion of the extended credit installment receivable portfolio based on the same pricing formula, this gain was recognized by Snap-on over a two-year period.

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

Note 7: Short-term and Long-term Debt

Notes payable to banks totaled $65.4 million and $17.9 million at the end of 2000 and 1999.

Commercial paper totaled $365.5 million at the end of 2000 and $498.7 million at the end of 1999. During 2000, Snap-on established a multi-currency commercial paper program. At the end of 2000, Snap-on had commercial paper outstanding in U.S. dollars, euros, Swedish krona and Japanese yen. These amounts have been

classified as long term, as it is Snap-on's intent, and it has the ability (supported by its long-term revolving credit facilities), to refinance the debt on a long-term basis.

At December 30, 2000, Snap-on had $625 million of revolving credit facilities to support its commercial paper programs. A $208 million revolving credit facility is effective for a five-year term and terminates on August 20, 2005. A $417 million credit facility is a 364-day facility with a one-year term-out option that terminates on August 20, 2001. The term-out option allows Snap-on to elect to borrow under the credit facility for an additional year after the termination date. At the end of 2000 and 1999, Snap-on was in compliance with all covenants of the revolving credit facilities and there were no borrowings under either revolving credit commitment.

Average commercial paper and bank notes outstanding were $529.1 million in 2000 and $243.0 million in 1999. The weighted-average interest rate on these instruments was 5.9% in 2000 and 5.3% in 1999. As of December 30, 2000, and January 1, 2000, commercial paper and bank notes outstanding had a weighted-average interest rate of 6.1% and 6.0%.

Snap-on's long-term debt consisted of the following:

(Amounts in millions)	2000	1999
Senior unsecured indebtedness	$100.0	$100.0
Borrowings under commercial paper programs	365.5	498.7
Other long-term debt	12.4	13.2
	477.9	611.9
Less: current maturities	(4.9)	(4.4)
Total long-term debt	$473.0	$607.5

The annual maturities of Snap-on's long-term debt due in the next five years are $4.9 million in 2001, $160.4 million in 2002, $2.4 million in 2003, $0.5 million in 2004 and $100.2 million in 2005.

In September 1994, Snap-on filed a registration statement with the Securities and Exchange Commission that allows Snap-on to issue from time to time up to $300 million of unsecured indebtedness. In October 1995, Snap-on issued $100 million of its notes

to the public. The notes require payment of interest on a semiannual basis at a rate of 6.625% and mature in their entirety on October 1, 2005. The proceeds of this issuance were used to repay a portion of Snap-on's outstanding commercial paper and for working capital and general corporate purposes.

Note 8: Income Taxes
Earnings (loss) before income taxes consisted of the following:

(Amounts in millions)	2000	1999	1998
U.S.	$175.2	$171.5	$(12.1)
Foreign	58.7	26.4	22.9
Total earnings before income taxes	$233.9	$197.9	$ 10.8

The provision for income taxes consisted of the following:

(Amounts in millions)	2000	1999	1998
Current:			
Federal	$42.9	$38.2	$31.5
Foreign	19.7	13.9	8.1

State	4.6	5.4	3.7
Total current	67.2	57.5	43.3
Deferred:			
Federal	11.8	9.8	(25.1)
Foreign	4.0	1.4	.8
State	2.4	2.0	(3.4)
Total deferred	18.2	13.2	(27.7)
Total income tax provision	$85.4	$70.7	$15.6

A reconciliation of Snap-on's effective income tax rate to the statutory federal tax rate follows:

	2000	1999	1998
Statutory federal income tax rate	35.0%	35.0%	35.0%
Increase (decrease) in tax rate resulting from:			
State income taxes, net of federal benefit	2.0	2.4	3.0
Foreign sales corporation tax benefit	(1.4)	(1.2)	(1.7)
Restructuring and other non-recurring charges	-	(.3)	108.1
Change in valuation allowance	1.0	.2	.2
Non-deductible goodwill amortization	1.4	.1	.8
Foreign rate difference	(1.0)	(.5)	.2
Other	(.5)	-	(1.5)
Effective tax rate	36.5%	35.7%	144.1%

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

(Amounts in millions)	2000	1999	1998
Current deferred income tax benefits:			
Inventories	$20.6	$18.4	$21.3
Accruals and reserves not currently deductible	17.2	32.8	24.7
Restructuring and other non-recurring accruals	19.3	3.4	23.4
Other	3.5	5.0	(2.6)
Total current (included in prepaid expenses)	60.6	59.6	66.8
Long-term deferred income tax benefits:			
Employee benefits	45.1	66.7	61.9
Net operating losses	27.9	27.6	38.3
Depreciation	(39.0)	(41.6)	(21.7)
Restructuring and other non-recurring accruals	-	(3.0)	2.6
Other	1.5	2.2	(1.1)
Valuation allowance	(27.2)	(24.2)	(29.4)
Total long term	8.3	27.7	50.6
Net deferred income tax benefit	$68.9	$87.3	$117.4

At December 30, 2000, Snap-on had tax net operating loss carryforwards totaling

$82.8 million as follows:

(Amounts in millions)	U.S.	Foreign	Total
Year of expiration:			
2001 - 2003	$ -	$11.1	$11.1
2004 - 2007	17.1	4.9	22.0
2008 - 2012	-	.1	.1
Indefinite	-	49.6	49.6
	$17.1	$65.7	$82.8

A valuation allowance totaling $27.2 million, $24.2 million and $29.4 million in 2000, 1999 and 1998 has been established for deferred income tax benefits related to certain subsidiary loss carryforwards that may not be realized. Included in this valuation allowance is $2.5 million that relates to the deferred tax assets recorded from acquisitions. Any tax benefits subsequently recognized for these deferred tax assets will be allocated to goodwill.

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

The undistributed earnings of all subsidiaries were $146.7 million, $112.8 million and $121.7 million at the end of 2000, 1999 and 1998. Snap-on does not expect that additional income taxes will be incurred on future distributions of such earnings and no deferred income taxes have been provided for the distribution of these earnings to the parent company.

Note 9: Financial Instruments

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.

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 the netting of certain exposures to take advantage of any natural offsets. To the extent the net exposures are hedged, forward contracts are used. Gains and/or losses on these foreign currency hedges are included in income in the period in which the exchange rates change. Gains and/or losses have not been material to the consolidated financial statements.

At December 30, 2000, Snap-on had net outstanding foreign exchange forward contracts totaling $168.9 million comprised of $65.4 million in euros, $61.1 million in British pounds, $26.4 million in Canadian dollars, $12.6 million in Swedish krona and $3.4 million in other currencies. At January 1, 2000, Snap-on had outstanding foreign exchange forward contracts totaling $194.1 million comprised of $107.2 million in euros, $48.9 million in British pounds, $15.7 million in Canadian dollars, $18.1 million in Swedish krona and $4.2 million in other currencies.

INTEREST RATE SWAP AGREEMENTS: Snap-on enters into interest rate swap agreements to manage interest costs and risks associated with changing interest rates. The differentials paid or received on interest rate agreements are accrued and

recognized as adjustments to interest expense. Gains and/or losses realized upon settlement of these agreements are deferred and amortized to interest expense over a period relevant to the agreement if the underlying hedged instrument remains outstanding, or immediately if the underlying hedged instrument is settled.

Snap-on has interest rate swap agreements in place that effectively exchange floating interest rate payments for fixed interest rate payments. At December 30, 2000, and January 1, 2000, the notional principal amount outstanding of these agreements was $100 million.

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

Snap-on's accounts receivable do not represent significant concentrations of credit risk because of the diversified portfolio of individual customers and geographic areas.

FAIR VALUE OF FINANCIAL INSTRUMENTS: SFAS No. 107, "Disclosures about Fair Value of Financial Instruments," requires Snap-on to disclose the fair value of financial instruments for both on- and off-balance-sheet assets and liabilities for which it is practicable to estimate that value. The following methods and assumptions were used in estimating the fair value of financial instruments:

Installment contracts: A discounted cash flow analysis was performed over the average life of a contract using a discount rate currently available to Snap-on adjusted for credit quality, cost and profit factors. As of December 30, 2000, and January 1, 2000, the fair value was approximately $85 million and $93 million versus a book value of $75 million and $82 million.

Interest rate swap agreements: The fair value of the agreements was based on a quote from the financial institution with which Snap-on executed the transactions. As of December 30, 2000, Snap-on would have realized a loss of $1.7 million upon termination of the agreements. As of January 1, 2000, Snap-on would have realized a gain of $1.3 million upon termination of the agreements.

All other financial instruments: The carrying amounts of all other financial instruments approximate fair value based on quoted market prices or discounted cash flow analysis for cash equivalents, debt, forward exchange contracts and other financial instruments.

Note 10: Pension Plans
Snap-on has several non-contributory pension plans covering most U.S. employees and certain employees in foreign countries. Snap-on also has foreign contributory plans covering certain foreign employees. Retirement benefits are generally provided based on employees' years of service and average earnings or stated amounts for years of service. Normal retirement age is 65, with provisions for earlier retirement. Snap-on recognizes retirement plan expenses in accordance with SFAS No. 87, "Employers' Accounting for Pensions," and contributes to the plans based on actuarial computations. In certain defined retirement benefit plans, these computations include the amortization of past service cost over a maximum of 30 years. Plan assets primarily consist of corporate equities and various debt securities.

Snap-on utilizes the market-related approach to value its plan assets. During the fourth quarter of 2000, Snap-on changed its method of valuing its plan assets from a five-year averaging method to a three-year averaging method. The impact of this change is reported as a change in accounting principle for

pensions, with a cumulative, pre-tax effect of $41.3 million recorded as of January 2, 2000. The impact on 2000 operating results was to reduce full-year pension expense by $9.7 million, or approximately $2.4 million per quarter. Snap-on has restated its first, second and third quarter 2000 results to reflect the impact of this change in accounting principle for pensions.

Snap-on's net pension expense (income) included the following components:

(Amounts in millions)	2000	1999	1998
Service cost - benefits earned during the year	$15.8	$18.7	$15.9
Interest cost on projected benefits	35.6	34.0	29.7
Less: actual return on plan assets	(33.1)	(37.2)	(39.6)
Curtailment gain	(.6)	(3.3)	(2.7)
Net amortization and deferral:			
Actual return on plan assets in excess of projected return	(20.2)	(.6)	5.5
Amortization of net assets at transition	(1.3)	(1.2)	(1.3)
Other	(3.7)	1.3	1.1
Net pension expense (income)	$(7.5)	$11.7	$8.6

The status of Snap-on's pension plans was as follows:

(Amounts in millions)	2000	1999
Change in projected benefit obligation		
Benefit obligation at beginning of year	$491.4	$492.1
Service cost	15.8	18.7
Interest cost	35.6	34.0
Plan participants' contributions	.6	.4
Benefits paid	(24.1)	(20.3)
Curtailment gain	(.6)	(3.3)
Plan amendments	.7	1.4
Actuarial gain	(31.2)	(60.4)
Foreign currency impact	(3.9)	-
Effect of plan reorganizations	-	4.7
Effect of business acquisitions	7.9	27.0
Effect of divestitures	-	(2.9)
Effect of settlements	(1.6)	-
Benefit obligation at end of year	$490.6	$491.4
Change in plan assets		
Fair value of plan assets at beginning of year	$526.7	$503.9
Actual return on plan assets	33.1	36.3
Plan participants' contributions	.6	.4
Contributions by employer	5.2	6.7
Benefits paid	(24.1)	(19.9)
Foreign currency impact	(1.8)	-
Effect of plan reorganizations	-	4.4
Effect of business acquisitions	8.0	(1.7)
Effect of divestitures	-	(3.4)
Effect of settlements	(1.9)	-
Fair value of plan assets at end of year	$545.8	$526.7
Funded status	$55.4	$35.3
Unrecognized net assets at year-end	(4.0)	(3.9)
Change in unrecognized net gain from revaluation of market-related value of assets	41.3	-
Unrecognized net gain from		

experience different than assumed	(136.4)	(130.3)
Unrecognized prior service cost	10.5	9.5
Net amount recognized	$(33.2)	$(89.4)

Amounts recognized in the consolidated balance sheets consist of:		
Prepaid benefit cost	$27.5	$19.7
Accrued benefit liability	(63.1)	(112.2)
Other assets	.3	.4
Accumulated other comprehensive income (loss)	2.1	2.7
Net amount recognized	$(33.2)	$(89.4)

The weighted-average rate assumptions used in determining pension costs and the projected benefit obligation were:

	2000	1999
Discount rate used to determine present value of projected benefit obligation at end of year	7.9%	7.4%
Expected long-term rate of return on plan assets for the year	9.7%	9.3%
Expected rate of increase in future compensation levels	4.9%	4.9%

Snap-on has pension plans in which the accumulated benefit obligation exceeds the fair value of plan assets. At the end of 2000 and 1999, Snap-on had three such plans, including certain non-U.S. plans, with an aggregate accumulated benefit obligation of $25.3 million and $35.0 million with no plan assets.

Note 11: Retiree Health Care

Snap-on provides certain health care benefits for most retired U.S. employees. The majority of Snap-on's U.S. employees become eligible for those benefits if they reach early retirement age while working for Snap-on; however, the age and service requirements for eligibility under the plans have been increased for certain employees hired on and after specified dates since 1992. Generally, most plans pay stated percentages of covered expenses after a deductible is met. There are several plan designs, with more recent retirees being covered under a comprehensive major medical plan. In determining benefits, the plans take into consideration payments by Medicare and other coverages.

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

Snap-on recognizes postretirement health care expense in accordance with SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other than Pensions."

Snap-on's net postretirement health care benefits expense included the following components:

(Amounts in millions)	2000	1999	1998
Service cost - benefits attributed			

to service during the year	$1.3	$2.0	$2.0
Interest cost on accumulated postretirement benefit obligation	5.6	5.9	5.5
Curtailment gain	-	(.2)	(.4)
Amortization of unrecognized net gain	(.9)	(.1)	(.6)
Net postretirement health care benefit expense	$6.0	$7.6	$6.5

The status of Snap-on's U.S. postretirement plans was as follows:

(Amounts in millions)	2000	1999
Change in projected benefit obligation		
Benefit obligation at beginning of year	$83.2	$83.6
Service cost	1.3	2.0
Interest cost	5.6	5.9
Plan participants' contributions	1.6	1.0
Benefits paid	(6.8)	(6.1)
Curtailment gain	-	(.2)
Actuarial gain	(9.9)	(3.0)
Benefit obligation at end of year	$75.0	$83.2
Change in plan assets		
Fair value of plan assets at beginning of year	$ -	$ -
Plan participants' contributions	1.6	1.0
Contributions by employer	5.2	5.1
Benefits paid	(6.8)	(6.1)
Fair value of plan assets at end of year	$ -	$ -
Funded status	$(75.0)	$(83.2)
Unrecognized actuarial gain	(22.2)	(13.0)
Postretirement liability	$(97.2)	$(96.2)

The accumulated postretirement benefit obligation at the end of 2000 consists of a current liability of $5.0 million and a long-term liability of $92.2 million. The weighted-average discount rate used in determining the accumulated postretirement benefit obligation was 8.0% at the end of 2000 and 7.5% at the end of 1999.

The actuarial calculation assumes a health care trend rate of 6.6% in 2001, decreasing gradually to 5.0% in 2005 and thereafter.

As of December 30, 2000, a one-percentage-point increase in the health care cost trend rate for future years would increase the accumulated postretirement benefit obligation by $1.2 million and the service cost and interest cost components by $0.1 million. Conversely, a one-percentage-point decrease in the health care cost trend rate for future years would decrease the accumulated postretirement benefit obligation by $1.1 million and the service cost and interest cost components by $0.1 million.

Note 12: Stock Options and Purchase Plans
Snap-on has a stock option plan for directors, officers and key employees, with expiration dates on the options ranging from 2001 to 2010. The plan provides that options be granted at exercise prices equal to market value on the date the option is granted.

Non-employee directors receive a mandatory minimum of 50% and an elective

maximum of up to 100% of their fees and retainer in shares of Snap-on's stock. Directors may elect to defer receipt of all or part of these shares. For 2000, 1999 and 1998, issuances under the Directors' Fee Plan totaled 8,908 shares, 5,846 shares and 5,060 shares. Additionally, receipt of 11,670 shares, 6,886 shares and 3,951 shares was deferred in 2000, 1999 and 1998. At December 30, 2000, shares reserved for issuance to directors under this plan totaled 225,774.

Employees of Snap-on are eligible to participate in an employee stock ownership plan. The purchase price of the common stock is the lesser of the mean of the high and low price of the stock on the beginning date (May 15) or ending date (May 14) of each plan year. For 2000, 1999 and 1998, issuances under the employee stock ownership plan totaled 55,322 shares, 53,082 shares and 81,114 shares. At December 30, 2000, shares reserved for issuance to employees under this plan totaled 601,087, and Snap-on held contributions of approximately $1.1 million for the purchase of common stock by employees.

Franchised dealers are eligible to participate in a dealer stock ownership plan. The purchase price of the common stock is the lesser of the mean of the high and low price of the stock on the beginning date (May 15) or ending date (May 14) of each plan year. For 2000, 1999 and 1998, issuances under the dealer stock ownership plan totaled 78,165 shares, 65,630 shares and 117,825 shares. At December 30, 2000, shares reserved for issuance to franchised dealers under this plan totaled 369,364, and Snap-on held contributions of approximately $1.5 million for the purchase of common stock by dealers.

Under the dividend reinvestment and stock purchase plan, participating shareholders may invest the cash dividends from all or a portion of their common stock to buy additional shares. The program also permits new investors and current shareholders to make additional contributions. For 2000, 1999 and 1998, issuances under the dividend reinvestment and stock purchase plan totaled 50,725 shares, 38,809 shares and 33,620 shares. At December 30, 2000, shares available for purchase under this plan totaled 1,855,936.

Snap-on continues to account for stock-based compensation plans in accordance with APB Opinion No. 25, "Accounting for Stock Issued to Employees," and, as a result, no compensation for stock options was recognized. For disclosure purposes only under SFAS No. 123, "Accounting for Stock-Based Compensation," the fair value of each option grant was estimated as of the date of grant using the Black-Scholes option pricing model.

Pro forma net income and earnings per share, and the assumptions used therein, assuming the fair value of accounting for stock-based compensation as prescribed under SFAS No. 123, are as follows:

(Amounts in millions except per share data)	2000	1999	1998
Net earnings (loss):			
As reported	$148.5	$127.2	$(4.8)
Pro forma	141.3	122.8	(7.9)
Earnings (loss) per share - diluted:			
As reported	2.53	2.16	(.08)
Pro forma	2.41	2.09	(.13)
Weighted-average assumptions under Black-Scholes:			
Risk-free interest rate	6.7%	4.7%	5.5%
Dividend yield	2.5%	2.5%	2.5%
Expected stock price volatility	28.2%	32.1%	21.2%
Expected option life (in years)	5.6	5.6	5.8

Stock option activity was as follows:

	2000		1999		1998	
	Options	Exercise Price*	Options	Exercise Price*	Options	Exercise Price*

Outstanding at beginning of year	2,977,467	$30.83	2,398,136	$29.21	2,114,228	$25.37
Granted	1,735,600	26.37	785,800	34.41	585,950	39.77
Exercised	(118,681)	20.42	(132,254)	22.27	(280,020)	21.84
Canceled	(67,905)	28.16	(74,215)	31.86	(22,022)	34.74
Outstanding at end of year	4,526,481	$29.44	2,977,467	$30.83	2,398,136	$29.21
Exercisable at end of year	2,887,281	$30.21	1,982,416	$28.31	1,641,296	$24.71
Available for grant at end of year	387,809		2,056,504		2,840,089	

*Weighted-average

As calculated using the Black-Scholes option pricing model, the weighted-average fair value of options granted during the years ended December 30, 2000, January 1, 2000, and January 2, 1999, were $7.55, $9.64 and $8.92. The following table summarizes information about stock options outstanding as of December 30, 2000:

	2000 Options Outstanding			2000 Options Exercisable	
Range of Exercise Prices	Shares Outstanding	Remaining Contractual Life (Years)*	Exercise Price*	Shares Exercisable	Exercise Price*
$19 to $25	987,497	2.4	$21.57	981,097	$21.52
$25 to $31	1,763,059	9.0	26.47	473,059	26.77
$31 to $38	1,232,075	7.3	35.33	889,275	35.65
$38 to $46	543,850	3.2	39.96	543,850	39.96
Totals	4,526,481	6.4	$29.44	2,887,281	$30.21

*Weighted-average

Note 13: Capital Stock

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. At its January 1999 meeting, the board of directors authorized the repurchase of up to $50 million of Snap-on's common stock. This action followed the board's authorization in 1998 to repurchase up to $100 million of common stock and its authorization in 1997 for up to $100 million of common stock. At the end of 2000, all of the 1999 authorization and a significant portion of the 1998 authorization, or $129 million in total, remained available. Snap-on repurchased 1,019,500 shares in 2000, following the repurchase of 492,800 shares in 1999 and 2,279,400 shares in 1998. Since 1995, Snap-on has repurchased 9,589,583 shares.

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

Snap-on created a Grantor Stock Trust ("GST") in 1998 that was subsequently amended. In conjunction with the formation of the GST, Snap-on sold 7.1 million shares of treasury stock to the GST. The sale of these shares had no net impact on shareholders' equity or on Snap-on's Consolidated Statements of Earnings. The GST is a funding mechanism for certain benefit programs and compensation arrangements, including the incentive stock program and employee and franchised dealer stock purchase plans. The Northern Trust Company, as trustee of the GST, votes the common stock held by the GST based on the terms set forth in the GST Agreement as amended. The GST is recorded as Grantor Stock Trust at Fair Market Value on the accompanying Consolidated Balance Sheets. Shares owned by the GST

are accounted for as a reduction to shareholders' equity until used in connection with employee benefits. Each period, the shares owned by the GST are valued at the closing market price, with corresponding changes in the GST balance reflected in additional paid-in capital. At December 30, 2000, the GST held 6,443,033 shares of common stock.

Note 14: Commitments and Contingencies

Snap-on has entered into certain operating lease agreements on facilities and office equipment that extend for varying amounts of time.

Snap-on's lease commitments require future payments as follows:

Year Ending	(Amounts in millions)
2001	$28.4
2002	20.6
2003	14.6
2004	8.8
2005	7.0
2006 and thereafter	20.2

Rent expense for worldwide facilities and office equipment was $35.3 million, $26.7 million and $22.7 million in 2000, 1999 and 1998.

In April 1996, 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. Upon Snap-on's request for reexamination, the U.S. Patent and Trademark Office initially rejected SPX's patents as invalid, but reconfirmed them. Following the conclusion of discovery, the parties will engage in an arbitration scheduled for the fall of 2001. The parties' claims could involve multiple millions of dollars; however, it is not possible at this time to assess the outcome of any of the claims.

Snap-on is involved in 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 matters, management believes that the results will not have a material impact on Snap-on's financial statements.

Note 15: Restructuring and Non-recurring Charges

In 2000, Snap-on recorded restructuring and non-recurring charges totaling $21.8 million pretax, primarily for various exit-related costs and impairment write-downs.

In the fourth quarter of 2000, Snap-on recorded a $4.2 million restructuring charge and $17.2 million in non-recurring charges. The restructuring charge relates to the closure of a small, under-performing vehicle-service business in the Asia/Pacific region and includes costs related to severance, lease terminations and write-off of intangible assets. The non-recurring charges relate to Snap-on's decision to exit a segment of the emissions-testing business. This decision was prompted by continued changes in technology and emissions regulations at both the state and federal levels. The non-recurring charges consist of $5.6 million for expected losses on the disposition of discontinued inventory, $3.9 million for extended warranty costs and $7.7 million for other asset impairments. In the first quarter of 2000, Snap-on incurred $0.4 million in non-recurring charges for relocation, severance and facilities consolidation costs.

On the accompanying Consolidated Statements of Earnings, the $9.5 million of non-recurring charges for inventory write-downs and warranty costs related to the exit of a segment of the emissions-testing business have been reported as Cost of Goods Sold - Non-recurring Charges. The $12.3 million in Restructuring and Other Non-recurring Charges includes non-recurring charges of $7.7 million for emissions-related asset impairments and $0.4 million for other relocation, severance and facilities consolidation costs. Also included in Restructuring and

Other Non-recurring Charges is $4.2 million in restructuring costs for severance and exit costs related to the closure of a vehicle-service business.

During 1999, Snap-on recorded $37.2 million in restructuring and non-recurring charges related to its Project Simplify initiative. Project Simplify, a broad program of internal rationalizations,

consolidations and reorganizations to make Snap-on's business operations simpler and more effective, was approved by the board of directors in the third quarter of 1998. The 18-month program included the cost of closing facilities, employee severance associated with a reduction in staffing, impaired asset write-downs, costs to revalue discontinued stock keeping units ("SKUs"), legal matters and other non-recurring costs.

Of the $37.2 million in charges recorded in 1999, $16.6 million is reflected in the Consolidated Statements of Earnings as Cost of Goods Sold - Non-recurring Charges, and $20.6 million is included in Restructuring and Other Non-recurring Charges. The $16.6 million in non-recurring charges reflects the discontinuance of an emissions-testing equipment line as part of Snap-on's refocus on high-volume products. The $20.6 million of non-recurring charges represents employee incentives of $1.5 million, relocation costs of $10.9 million, professional services of $9.1 million and $4.8 million for the discontinuance of SKUs in an effort to reduce the transaction costs and working capital intensity of Snap-on's product offering and refocus on high-volume growth products. These costs were partially offset by the reversal of $5.1 million of excess warranty reserves resulting from the expiration of the extended warranty period in 1999 and the reversal of $0.6 million of excess severance costs.

Project Simplify was essentially completed and fully provided for as of year-end 1999. Snap-on achieved its original targets of closing 60 facilities, eliminating approximately 1,100 positions and discontinuing more than 12,000 SKUs, along with the consolidation of certain business units. Total charges incurred for Project Simplify were $187.5 million, and were comprised of $67.1 million of restructuring charges and $120.4 million of other non-recurring charges.

During 1998, Snap-on recorded charges of $149.9 million in its Consolidated Statements of Earnings for Project Simplify, including $60.6 million in Cost of Goods Sold - Non-recurring Charges, and $89.3 million in Restructuring and Other Non-recurring Charges. The $60.6 million included $9.7 million for additional warranty support, at no cost to the customer, for products already sold related to discontinued businesses and the elimination of $50.9 million of discontinued SKUs. Of the $89.3 million, $63.4 million represented restructuring charges and $25.9 million represented non-recurring charges. The restructuring reserve of $63.4 million included $15.5 million for severance costs, $7.6 million for non-cancelable lease agreements on the closure of facilities and other exit costs, $3.8 million for the write-down of property, plant and equipment and other assets to net realizable value, and $36.5 million for the write-down of impaired goodwill and other intangible assets of certain discontinued business units. The $25.9 million of non-recurring charges included costs to resolve certain legal matters of $18.7 million, including attorneys' fees and, in some cases, the likely cost to settle certain disputes that pre-dated the commencement of Project Simplify, and $7.2 million of other transitional costs. The $7.2 million includes $2.5 million of accelerated depreciation of computer equipment that was abandoned, employee incentives of $1.0 million, relocation costs of $1.2 million and professional services of $2.5 million.

Note 16: Segments

Snap-on has two reportable segments: the Snap-on Dealer Group (formerly Global Transportation) and the Commercial and Industrial Group (formerly Global Operations). 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.

The accounting policies of the reportable segments are described in Note 2. Snap-on evaluates the performance of its operating segments based on segment net sales and operating earnings. 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. Restructuring and other non-recurring charges are not allocated to the reportable segments.

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

Financial data by segment is as follows:

(Amounts in millions)	2000	1999	1998
Net sales from external customers			
Snap-on Dealer Group	$1,068.7	$1,050.9	$1,009.8
Commercial and Industrial Group	1,107.0	894.7	762.8
Total net sales	$2,175.7	$1,945.6	$1,772.6
Intersegment sales			
Snap-on Dealer Group	$ .1	$ -	$ .1
Commercial and Industrial Group	361.5	414.8	503.7
Total intersegment sales	361.6	414.8	503.8
Elimination of intersegment sales	(361.6)	(414.8)	(503.8)
Total consolidated intersegment sales	$ -	$ -	$ -
Earnings			
Snap-on Dealer Group	$ 127.3	$ 120.0	$ 90.1
Commercial and Industrial Group	86.4	69.1	27.9
Segment operating earnings	213.7	189.1	118.0
Net finance income	38.1	60.5	65.9
Restructuring and other non-recurring charges	(21.8)	(37.2)	(149.9)
Interest expense	(40.7)	(27.4)	(21.2)
Other income (expense) - net	3.3	12.9	(2.0)
Total pre-tax earnings from continuing operations	$ 192.6	$ 197.9	$ 10.8
Total assets			
Snap-on Dealer Group	$ 796.0	$ 766.8	$ 758.6
Commercial and Industrial Group	1,210.8	1,315.6	748.1
Total from reportable segments	2,006.8	2,082.4	1,506.7
Financial Services	96.2	97.2	189.1
Elimination of intersegment receivables	(52.6)	(29.8)	(20.9)
Total assets	$2,050.4	$2,149.8	$1,674.9

(Amounts in millions)	2000	1999	1998
Capital expenditures			
Snap-on Dealer Group	$ 13.0	$ 16.2	$ 17.1
Commercial and Industrial Group	44.6	19.2	28.5
Total from reportable segments	57.6	35.4	45.6
Financial Services	-	-	1.2
Total capital expenditures	$ 57.6	$ 35.4	$ 46.8
Depreciation and amortization			
Snap-on Dealer Group	$ 20.3	$ 20.5	$ 20.6
Commercial and Industrial Group	45.9	34.9	23.9
Total from reportable segments	66.2	55.4	44.5
Financial Services	-	-	.5
Total depreciation and amortization	$ 66.2	$ 55.4	$ 45.0

Geographic data is as follows:

(Amounts in millions)	2000	1999	1998
Geographic information			
Net sales*			
United States	$1,367.1	$1,306.7	$1,240.0
Europe	587.5	434.3	361.0
All other	221.1	204.6	171.6
Total net sales	$2,175.7	$1,945.6	$1,772.6
Long-lived assets			
United States	$ 199.0	$ 218.8	$ 218.5
Europe	121.7	117.8	37.7
All other	24.4	26.0	15.8
Total long-lived assets	$ 345.1	$ 362.6	$ 272.0

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

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

(Amounts in millions)	2000	1999	1998
Tools	$1,343.5	$1,149.3	$918.5
Equipment	832.2	796.3	854.1
Total	$2,175.7	$1,945.6	$1,772.6

Quarterly Financial Information

Unaudited (Amounts in millions except per share data)	2000	1999	1998

Net sales			
First quarter	$ 544.3	$ 452.6	$ 426.4
Second quarter	563.2	473.1	442.2
Third quarter	511.9	453.2	427.3
Fourth quarter	556.3	566.7	476.7
	$2,175.7	$1,945.6	$1,772.6
Net earnings (loss)			
First quarter*	$ 60.7	$ 32.2	$ 33.9
Second quarter*	45.7	25.0	22.7
Third quarter*	28.4	42.6	(72.5)
Fourth quarter	13.7	27.4	11.1
	$ 148.5	$ 127.2	$ (4.8)
Net earnings (loss) per share - basic			
First quarter*	$ 1.03	$ .55	$ .57
Second quarter*	.78	.43	.38
Third quarter*	.48	.73	(1.23)
Fourth quarter	.25	.47	.19
	$ 2.54	$ 2.18	$ (.08)
Net earnings (loss) per share - diluted			
First quarter*	$ 1.03	$ .55	$ .56
Second quarter*	.78	.42	.38
Third quarter*	.48	.72	(1.23)
Fourth quarter	.24	.47	.19
	$ 2.53	$ 2.16	$ (.08)
Cash dividends paid per share			
First quarter	$ .23	$ .22	$ .21
Second quarter	.23	.22	.21
Third quarter	.24	.23	.22
Fourth quarter	.24	.23	.22
	$ .94	$ .90	$ .86

*The first quarter of 2000 includes a pre-tax gain of $41.3 million ($25.4 million after tax, or $.43 per basic and diluted share) for the cumulative effect of a change in accounting principle for pensions. In addition, each of the first, second and third quarters of 2000 presented above have been restated by $2.4 million pretax ($1.5 million after tax) to reflect a reduction in pension expense resulting from the change in accounting for pensions. Previous to the restatement, net earnings for the first, second and third quarters of 2000 were reported as $33.8 million, $44.2 million and $26.9 million, and both basic and diluted net earnings per share were reported as $.58, $.75 and $.46 for the first, second and third quarters of 2000.

Net earnings per share are calculated on a quarterly basis and, as such, the amounts may not total the calculated full-year earnings (loss) per share due to quarterly fluctuations in weighted-average shares outstanding.

Six-year Data

(Amounts in millions except per share data)	2000	1999	1998	1997	1996	1995
Summary of operations						
Net sales	$2,175.7	$1,945.6	$1,772.6	$1,672.2	$1,485.3	$1,292.1
Gross profit	996.8	896.2	763.2	843.8	750.8	663.5

Operating expenses	792.6	723.7	705.8	650.2	594.5	538.0
Net finance income	38.1	60.5	65.9	71.9	64.3	63.2
Interest expense	40.7	27.4	21.2	17.6	12.7	13.3
Earnings from continuing operations	192.6	197.9	10.8	238.7	208.7	179.9
Income taxes	69.5	70.7	15.6	88.3	77.2	66.6
Cumulative effect, net of tax	25.4	-	-	-	-	-
Net earnings (loss)	148.5	127.2	(4.8)	150.4	131.5	113.3
Financial position						
Accounts receivable - net	$ 644.5	$ 617.7	$ 554.7	$ 539.6	$ 651.7	$ 610.1
Inventories	418.9	454.8	375.4	373.2	269.8	250.4
Current assets	1,186.4	1,206.3	1,079.8	1,021.7	1,017.3	946.7
Current liabilities	538.0	452.7	458.0	352.5	341.4	336.1
Working capital	648.4	753.6	621.8	669.2	675.9	610.6
Total invested capital	1,387.3	1,455.1	1,102.0	1,067.2	1,001.2	920.7
Property and equipment - net	345.1	362.6	272.0	265.8	245.3	220.1
Total assets	2,050.4	2,149.8	1,674.9	1,641.4	1,520.8	1,361.0
Long-term debt	473.0	607.5	246.6	151.0	149.8	143.8
Shareholders' equity	844.0	825.3	762.3	892.1	828.2	750.7
Common share summary						
Net earnings (loss) per share - diluted	$ 2.53	$ 2.16	$ (.08)	$ 2.44	$ 2.13	$ 1.83
Cash dividends paid per share	.94	.90	.86	.82	.76	.72
Shareholders' equity per share	14.60	14.10	12.98	14.74	13.62	12.35
Common stock price range	32.44-20.88	37.81-26.44	46.44-25.50	46.31-34.25	38.25-27.33	31.50-20.67
Year-end share price	27.88	26.56	34.81	42.38	36.38	30.17
Average shares outstanding - diluted	58.6	58.9	59.2	61.7	61.6	61.9
Other financial statistics						
Cash dividends paid	$ 55.0	$ 52.6	$ 51.0	$ 49.9	$ 46.3	$ 44.1
Net cash provided by operating activities	190.2	235.6	75.0	194.9	136.4	172.9
Capital expenditures	57.6	35.4	46.8	55.4	52.3	31.6
Depreciation and amortization	66.2	55.4	45.0	38.4	31.9	31.5
Total debt to total invested capital	39.2%	43.3%	30.8%	16.4%	17.3%	18.5%
Return on average shareholders' equity	17.8%	16.0%	(.6)%	17.5%	16.7%	14.9%

2000 results include $21.8 million of pre-tax restructuring and other non-recurring charges ($14.2 million after tax, or $.24 per diluted share) and a $41.3 million pre-tax gain ($25.4 million after tax, or $.43 per diluted share) for the cumulative effect of a change in accounting principle for pensions.

1999 results include $37.2 million of pre-tax restructuring and other non-recurring charges ($23.3 million after tax, or $.40 per diluted share).

1998 results include $149.9 million of pre-tax restructuring and other non-recurring charges ($107.6 million after tax, or $1.82 per diluted share).

1995 share data has been restated to reflect the three-for-two stock split that occurred in 1996.

Net Sales (in $ millions)

1996 - 1,485
1997 - 1,672
1998 - 1,773
1999 - 1,946
2000 - 2,176

Net Earnings (Loss) (in $ millions)

1996 - 132
1997 - 150
1998 - (5)
1999 - 127
2000 - 149

Shareholders' Equity per Share (in dollars)

1996 - 13.62
1997 - 14.74
1998 - 12.98
1999 - 14.10
2000 - 14.60

Cash Dividends Paid per Share (in dollars)

1996 - .76
1997 - .82
1998 - .86
1999 - .90
2000 - .94

Management's Responsibility for Financial Reporting

The management of Snap-on Incorporated is responsible for the preparation and

integrity of all financial statements and other information contained in this Annual Report. The consolidated financial statements have been prepared in conformity with generally accepted accounting principles and include amounts based on judgments and estimates by management. Snap-on maintains internal control systems designed to provide reasonable assurance that Snap-on's financial records reflect the transactions of Snap-on and that its assets are protected from loss or unauthorized use. A staff of internal auditors conducts operational and financial audits to evaluate the adequacy of internal controls and accounting practices.

Snap-on's consolidated financial statements have been audited by Arthur Andersen LLP, independent public accountants, whose report thereon appears below. As part of their audit of Snap-on's consolidated financial statements, Arthur Andersen LLP considered Snap-on's system of internal control to the extent they deemed necessary to determine the nature, timing and extent of their audit tests. Management has made available to Arthur Andersen LLP Snap-on's financial records and related data.

The audit committee of the board of directors is responsible for reviewing and evaluating the overall performance of Snap-on's financial reporting and accounting practices. The committee meets periodically and independently with management, internal auditors and the independent public accountants to discuss Snap-on's internal accounting controls, auditing and financial reporting matters. The internal auditors and independent public accountants have unrestricted access to the audit committee.

/s/ Robert A. Cornog	/s/ Donald S. Huml
Robert A. Cornog	Donald S. Huml
Chairman, President and	Senior Vice President - Finance
Chief Executive Officer	and Chief Financial Officer

Report of Independent Public Accountants

To the Board of Directors and
Shareholders of Snap-on Incorporated:

We have audited the accompanying consolidated balance sheets of Snap-on Incorporated (a Delaware Corporation) and subsidiaries as of December 30, 2000, and January 1, 2000, and the related consolidated statements of earnings, shareholders' equity and comprehensive income, and cash flows for each of the three years in the period ended December 30, 2000. These consolidated financial statements are the responsibility of Snap-on's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Snap-on Incorporated and subsidiaries as of December 30, 2000, and January 1, 2000, and the consolidated results of its operations and cash flows for each of the three years in the period ended December 30, 2000, in conformity with accounting principles generally accepted in the United States.

As explained in Note 10 to the financial statements, effective January 2, 2000, Snap-on Incorporated changed its method of accounting for pensions.

/s/ Arthur Andersen LLP

Arthur Andersen LLP

Chicago, Illinois
January 31, 2001

EXHIBIT INDEX

Item 14(c): Exhibits

(2) (a) Share Purchase Agreement between CTT Cutting Tool Technology B.V. and Snap-on Incorporated ("the Corporation") dated as of April 16, 1999 (incorporated by reference to Exhibit 2(a) to Snap-on's report on Form 8-K dated September 30, 1999 (Commission File No. 1-7724))

(b) Amendment Agreement #1 to Share Purchase Agreement between CTT Cutting Tool Technology B.V. and the Corporation dated as of September 30, 1999 (incorporated by reference to Exhibit 2(a) to Snap-on's report on Form 8-K dated September 30, 1999 (Commission File No. 1-7724))

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

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

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

Snap-on and its subsidiaries have no long-term debt agreement for which the related outstanding debt exceeds 10% of consolidated total assets as of December 30, 2000. Copies of debt instruments for which the related debt is less than 10% of consolidated total assets will be furnished to the Commission upon request.

(10) Material Contracts

(a) Amended and Restated Snap-on Incorporated 1986 Incentive Stock Program (incorporated by reference to Exhibit 10(a) of Snap-on's Annual Report on Form 10-K for the fiscal year ended January 1, 2000 (Commission File No. 1-7724))*

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

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

(d) Deferred Compensation Waiver and Insurance Benefit Agreement between

the Corporation and Robert A. Cornog dated January 30, 1998 (incorporated by reference to Exhibit 10(d) to Snap-on's Annual Report on Form 10-K for the fiscal year ended January 2, 1999 (Commission File No. 1-7724))*

(e) Deferred Compensation Waiver and Insurance Benefit Agreement between the Corporation and Branko M. Beronja dated December 21, 1998 (incorporated by reference to Exhibit 10(e) to Snap-on's Annual Report on Form 10-K for the fiscal year ended January 2, 1999 (Commission File No. 1-7724))*

(f) Deferred Compensation Waiver and Insurance Benefit Agreement between the Corporation and Frederick D. Hay dated September 27, 1999 (incorporated by reference to Exhibit 10(f) to Snap-on's Annual Report on Form 10-K for the fiscal year ended January 1, 2000 (Commission File No. 1-7724))*

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

(h) Amended and Restated Snap-on Incorporated Directors' 1993 Fee Plan (incorporated by reference to Exhibit 10(h) to Snap-on's Annual Report on Form 10-K for the fiscal year ended January 1, 2000 (Commission File No. 1-7724))*

(i) Snap-on Incorporated Deferred Compensation Plan (as amended through January 28, 2000)*#

(j) Snap-on Incorporated Supplemental Retirement Plan for Officers (incorporated by reference to Exhibit 10(j) to Snap-on's Annual Report on Form 10-K for the fiscal year ended January 1, 2000 (Commission File No. 1-7724))*

(k) Amended and Restated Benefit Trust Agreement between the Corporation and The Northern Trust Company, dated as of July 2, 1998 and amended and restated as of March 17, 2000 (incorporated by reference to Snap-on's Form 8-K dated March 17, 2000 (Commission File No. 1-7724))

(l) Form of Deferred Award Agreement between the Corporation and each of Robert A. Cornog, Alan T. Biland, Dale F. Elliott, Gary S. Henning, Frederick D. Hay, Donald S. Huml, Michael F. Montemurro and Susan F. Marrinan, dated March 1, 1999 and Form of Restricted Stock Agreement between the Corporation and David E. Cox, dated March 1, 1999 (incorporated by reference to Exhibit 10(l) to Snap-on's Annual Report on Form 10-K for the fiscal year ended January 1, 2000 (Commission File No. 1-7724))*

(m) Five-year Credit Agreement between the Corporation and Salomon Smith Barney Inc., Banc One Capital Markets Inc. and the First National Bank of Chicago (incorporated by reference to Exhibit 10(a) to Snap-on's report on Form 10-Q for the quarterly period ended October 2, 1999 (Commission File No. 1-7724))

(n) 364-Day Credit Agreement between the Corporation and Salomon Smith Barney Inc., Banc One Capital Markets Inc. and the First National Bank of Chicago (incorporated by reference to Exhibit 10(a) to Snap-on's report on Form 10-Q for the quarterly period ended October 2, 1999 (Commission File No. 1-7724))

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

(p) Amended and Restated Five Year Credit Agreement between the Corporation and Salomon Smith Barney Inc., Banc One Capital Markets Inc., Citibank, N.A. and Banc One, N.A.#

(q) Agreement between Branko M. Beronja and the Corporation regarding various subsidiary director assignments and special project fees for 2000 and 2001*#

(r) Retention and Recognition Agreement between Robert A. Cornog and the Corporation*#

(s) Form of Severance Agreement between Donald S. Huml and the Corporation*#

(t) Form of Severance Agreements between the Corporation and each of Alan T. Biland, Sharon M. Brady, Dale F. Elliott, Frederick D. Hay, Nicholas L. Loffredo, Susan F. Marrinan and Michael F. Montemurro dated October 27, 2000*#

(u) Form of Amendment to Deferred Compensation Waiver and Insurance Benefit Agreement between the Corporation and each of Robert A. Cornog, Branko M. Beronja and Fredrick D. Hay*#

(v) Form of Split-Dollar Insurance Plan Agreement between the Corporation and each of Dale F. Elliott, Donald S. Huml, Susan F. Marrinan and Michael F. Montemurro*#

(w) Form of Amendment to Split-Dollar Insurance Plan Agreement between the Corporation and each of Robert A. Cornog, Branko M. Beronja, Dale F. Elliott, Fredrick D. Hay, Donald S. Huml, Susan F. Marrinan and Michael F. Montemurro*#

(12) Computation of Ratio of Earnings to Fixed Charges#

(13) The following portions of Snap-on's Annual Report to Shareholders, which are incorporated by reference in this Form 10-K, are filed as Exhibit 13: Management's Discussion and Analysis of Results of Operations and Financial Condition, Consolidated Statements of Earnings, Consolidated Balance Sheets, Consolidated Statements of Shareholders' Equity and Comprehensive Income, Consolidated Statements of Cash Flows, Notes to Consolidated Financial Statements, Quarterly Financial Information, Six-year Data, Management's Responsibility for Financial Reporting and Report of Independent Public Accountants.#

(18) Letter regarding change in accounting principles for pensions#

(21) Subsidiaries of the Corporation#

(23) Consent of Independent Public Accountants#

Filed herewith.
* Denotes management contract or compensatory plan or arrangement.

Snap-on Incorporated
10801 Corporate Drive
Pleasant Prairie, Wisconsin 53158

RE: Form 10-K Report for the Year Ended December 30, 2000

Ladies and Gentlemen:

This letter is written to meet the requirements of Regulation S-K calling for a letter from a registrant's independent accountants whenever there has been a change in accounting principle or practice.

Note 10 of the Notes to the Consolidated Financial Statements of Snap-on Incorporated ("Snap-on") included in its Annual Report to Shareholders, incorporated by reference in this Form 10-K, describes Snap-on's change in accounting method for determining the market-related value of plan assets for purposes of Accounting for Pensions. The new accounting method changes the smoothing period for investment gains and losses from five years to three years. According to Snap-on's management, this change was made to accelerate recognition in the financial statements of changes in the fair value of the plan assets, and as such, record the effects of real economic events more timely.

A complete coordinated set of financial reporting standards for determining the preferability of accounting principles among acceptable alternative principles has not been established by the accounting profession. Thus, we cannot make an objective determination of whether the change in accounting described in the preceding paragraph is to a preferable method. However, we have reviewed the pertinent factors, including those related to financial reporting, in this particular case on a subjective basis, and our opinion stated below is based on our determination made in this manner.

We are of the opinion that Snap-on's change in method of accounting is to an acceptable alternative method of accounting, which, based upon the reasons stated for the change and our discussions with management, is also preferable under the circumstances in this particular case. In arriving at this opinion, we have relied on the business judgment and business planning of Snap-on's management.

Very truly yours,

/s/ Arthur Andersen LLP

ARTHUR ANDERSEN LLP

SUBSIDIARIES OF THE CORPORATION
As of December 30, 2000

Name	State or other jurisdiction of organization
IDSC Holdings, Inc.	Wisconsin
SB Tools S.a.r.l.	Luxembourg
Snap-on Global Holdings, Inc.	Delaware
Snap-on Holdings AB	Sweden
Snap-on International Finance Company	Ireland
Snap-on Logistics Company	Wisconsin
Snap-on Technologies, Inc.	Illinois
Snap-on Tools Company	Wisconsin
Snap-on Tools International, Ltd.	U.S. Virgin Islands

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our reports dated January 31, 2001 incorporated by reference and included in this Form 10-K, into Snap-on Incorporated's previously filed Registration Statement File Nos. 2-53663, 2-53578, 33-7471, 33-22417, 33-37924, 33-39660, 33-57898, 33-55607, 33-58939, 33-58943, 333-14769, 333-21277, 333-21285 and 333-41359. It should be noted that we have not audited any financial statements of Snap-on Incorporated subsequent to December 30, 2000 or performed any audit procedures subsequent to the date of our report.

/s/ Arthur Andersen LLP

ARTHUR ANDERSEN LLP

Chicago, Illinois
March 19, 2001