

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q/A
AMENDMENT NO. 1 TO

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

For quarterly period ended October 3, 1998

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 (I.R.S. Employer Identification No.)
incorporation or organization)

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

Registrant's telephone number, including area code: (414) 656-5200

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

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

Class	Outstanding at October 31, 1998
Common stock, \$1 par value	58,874,019 shares

SNAP-ON INCORPORATED

Snap-on Incorporated hereby files Amendment number 1 to its Report on Form 10-Q filed on November 17, 1998 for purposes of filing information under Part I relating to the change in timing of \$2.5 million pre-tax of restructuring-related charges from the third quarter of 1998 to the fourth quarter of 1998. This change reduced the net loss by \$1.5 million after-tax for the thirteen and thirty-nine weeks ended October 3, 1998 and reduced loss per common share for basic and diluted by \$0.01 for the thirteen weeks ended October 3, 1998 and by \$0.02 for the thirty-nine weeks ended October 3, 1998.

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PART I. FINANCIAL INFORMATION

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

	Thirteen Weeks Ended		Thirty-nine Weeks Ended	
	October 3, 1998	September 27, 1997	October 3, 1998	September 27, 1997
	-----	-----	-----	-----
Net sales	\$427,272	\$391,162	\$1,295,877	\$1,175,692
Cost of goods sold	225,184	191,868	677,554	575,764
Cost of goods sold - discontinued products	50,562	--	50,562	--
	-----	-----	-----	-----
Gross profit	151,526	199,294	567,761	599,928
Operating expenses	176,366	154,344	525,346	464,775
	-----	-----	-----	-----
Operating profit (loss)	(24,840)	44,950	42,415	135,153
Net finance income	14,657	18,126	47,529	53,953
Restructuring and other non-recurring charges	(80,059)	--	(80,059)	--
	-----	-----	-----	-----
Operating income (loss)	(90,242)	63,076	9,885	189,106
Interest expense	(5,883)	(4,119)	(15,365)	(12,979)
Other income (expense) - net	604	(2,585)	(1,624)	(4,160)
	-----	-----	-----	-----
Earnings (loss) before income taxes	(95,521)	56,372	(7,104)	171,967
Income tax provision (benefit)	(23,061)	20,858	8,769	63,628
	-----	-----	-----	-----
Net earnings (loss)	\$ (72,460)	\$ 35,514	\$ (15,873)	\$ 108,339
	=====	=====	=====	=====
Earnings (loss) per weighted average common share - basic	\$ (1.23)	\$.58	\$ (.27)	\$ 1.78
	=====	=====	=====	=====
Earnings (loss) per weighted average common share - diluted	\$ (1.23)	\$.58	\$ (.27)	\$ 1.76
	=====	=====	=====	=====
Weighted average common shares outstanding - basic	58,995	60,969	59,359	60,916
Effect of dilutive options	--	828	--	828
	-----	-----	-----	-----
Weighted average common shares outstanding - diluted	58,995	61,797	59,359	61,744
	=====	=====	=====	=====
Dividends declared per common share	\$ --	\$ --	\$.64	\$.61
	=====	=====	=====	=====

The accompanying notes are an integral part of these statements.

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

	(Unaudited) October 3, 1998	January 3, 1998
	-----	-----
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 13,470	\$ 25,679
Accounts receivable, less allowances	507,784	539,589
Inventories		
Finished stock	388,542	366,324
Work in process	43,617	42,384
Raw materials	78,269	66,008
Excess of current cost over LIFO cost	(89,916)	(101,561)
	-----	-----
Total inventory	420,512	373,155
Prepaid expenses and other assets	127,180	83,286
	-----	-----
Total current assets	1,068,946	1,021,709
Property and equipment		
Land	23,863	23,980
Buildings and improvements	175,695	163,596
Machinery and equipment	380,296	341,875
	-----	-----
	579,854	529,451
Accumulated depreciation	(304,963)	(263,686)
	-----	-----
Total property and equipment	274,891	265,765
Deferred income tax benefits	66,119	55,699
Intangible and other assets	262,928	298,184
	-----	-----
Total assets	\$1,672,884	\$1,641,357
	=====	=====

The accompanying notes are an integral part of these statements.

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

	(Unaudited) October 3, 1998	January 3, 1998
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable	\$ 85,240	\$ 91,553
Notes payable and current maturities of long-term debt	61,988	23,951
Accrued compensation	39,897	43,712
Dealer deposits	38,495	43,848
Accrued income taxes	20,816	14,831
Deferred subscription revenue	31,668	29,265
Accrued restructuring reserves	29,347	--
Other accrued liabilities	132,535	105,370

Total current liabilities	439,986	352,530
Long-term debt	246,096	151,016
Deferred income taxes	12,249	11,824
Retiree health care benefits	88,800	86,936
Pension and other long-term liabilities	111,577	146,914
Total liabilities	898,708	749,220
SHAREHOLDERS' EQUITY		
Preferred stock - authorized 15,000,000 shares of \$1 par value; none outstanding	--	--
Common stock - authorized 250,000,000 shares of \$1 par value; issued - October 3, 1998 - 66,674,685 shares January 3, 1998 - 66,472,127 shares	66,675	66,472
Additional paid-in capital	89,708	82,758
Retained earnings	885,060	938,963
Foreign currency translation adjustment	(26,054)	(30,385)
Employee benefit trust at fair market value - 7,088,926 and 0 shares	(218,428)	--
Treasury stock at cost - 697,812 and 5,956,313 shares	(22,785)	(165,671)
Total shareholders' equity	774,176	892,137
Total liabilities and shareholders' equity	\$1,672,884	\$1,641,357

The accompanying notes are an integral part of these statements.

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

	Thirty-nine Weeks Ended October 3, 1998	September 27, 1997
OPERATING ACTIVITIES		
Net earnings (loss)	\$ (15,873)	\$ 108,339
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities:		
Depreciation	25,715	22,918
Amortization	7,099	5,169
Deferred income taxes	(4,310)	(1,743)
(Gain) on sale of assets	(4,412)	(74)
Charges due to restructuring and other non-recurring charges	94,924	--
Changes in operating assets and liabilities:		
Decrease in receivables	56,514	61,954
(Increase) in inventories	(66,935)	(95,706)
(Increase) decrease in prepaid and other assets	50,261	(20,415)
Increase (decrease) in accounts payable	(16,127)	2,686
(Decrease) in accruals and other liabilities	(53,882)	(13,825)
Net cash provided by operating activities	72,974	69,303
INVESTING ACTIVITIES		
Capital expenditures	(32,332)	(35,597)
Acquisitions of businesses	(76,155)	(52,609)
Disposal of property and equipment	7,115	1,681
Net cash used in investing activities	(101,372)	(86,525)

FINANCING ACTIVITIES

Payment of long-term debt	(3,543)	(7,755)
Increase in long-term debt	47,412	--
Increase in short-term borrowings-net	78,830	65,928
Purchase of treasury stock	(75,723)	(14,562)
Proceeds from stock plans	7,333	11,496
Cash dividends paid	(38,030)	(37,151)
	-----	-----
Net cash provided by financing activities	16,279	17,956
Effect of exchange rate changes	(90)	(662)
	-----	-----
(Decrease) increase in cash and cash equivalents	(12,209)	72
Cash and cash equivalents at beginning of period	25,679	15,350
	-----	-----
Cash and cash equivalents at end of period	\$ 13,470	\$ 15,422
	=====	=====

The accompanying notes are an integral part of these statements.

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SNAP-ON INCORPORATED
NOTES TO CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS

1. This report should be read in conjunction with the consolidated financial statements and related notes included in Snap-on Incorporated's Annual Report for the year ended January 3, 1998.

In the opinion of management, all adjustments (consisting only of normal recurring adjustments) necessary to a fair statement of financial condition and results of operations for the thirteen and thirty-nine weeks ended October 3, 1998 have been made. Management also believes that the results of operations for the thirteen and thirty-nine weeks ended October 3, 1998 are not necessarily indicative of the results to be expected for the full year.

2. Snap-on Incorporated normally declares and pays in cash four regular, quarterly dividends. However, the third quarter dividend in each year is declared in June, giving rise to two regular quarterly dividends appearing in the second quarter and correspondingly, three regular quarterly dividends appearing in the first twenty-six weeks' statements.
3. Income tax paid for the thirty-nine week period ended October 3, 1998 and September 27, 1997 was \$43.4 million and \$60.2 million.
4. Interest paid for the thirty-nine week period ended October 3, 1998 and September 27, 1997 was \$16.9 million and \$11.2 million.
5. During the second quarter of 1998, the Corporation announced a simplification initiative ("Project Simplify") which is a broad program of internal rationalizations, consolidations and reorganizations that will make the Corporation's business operations simpler and more effective. Project Simplify will result in the closing of 60 facilities, the elimination of 1,100 positions, the discontinuance of 12,000 stock keeping units ("SKU's"), and the consolidation of certain business units. Total charges for Project Simplify are expected to approximate \$175 million through the first quarter of 2000. These charges are comprised of restructuring charges, other non-recurring charges and related transitional costs.

During the third quarter of 1998, the Corporation received board approval for Project Simplify and recorded a one-time pre-tax charge of \$130.6 million (\$95.0 million, or \$1.59 per share after taxes). This amount consists of \$70.5 million of restructuring charges and \$60.1 million of other non-recurring charges.

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SNAP-ON INCORPORATED
NOTES TO CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS (continued)

The composition of the Corporation's \$70.5 million restructuring reserves is as follows (in thousands):

	Original Restructuring Reserve	Writedown of Assets To Fair Value	Cash Payments	Restructuring Reserves as of October 3, 1998
	-----	-----	-----	-----
Restructuring expenditures for severance and other exit costs	\$21,105	\$ -	\$ 1,418	\$19,687
Restructuring loss on the writedown of intangibles	36,240	36,240	-	-
Restructuring charges for warranty provisions	9,660	-	-	9,660
Restructuring loss on the writedown of fixed assets	3,478	3,478	-	-
	-----	-----	-----	-----
Total restructuring reserves	\$70,483	\$39,718	\$ 1,418	\$29,347
	=====	=====	=====	=====

The Corporation has recorded a restructuring charge for severance, non-cancelable lease agreements on facilities to be closed and other exit costs associated with the simplification initiative in the amount of \$21.1 million, and has adjusted fixed assets held for sale to fair value through an additional \$3.5 million restructuring charge. As part of the restructuring efforts, the Corporation has also impaired the goodwill and other intangible assets of certain discontinued business units and incurred a charge of \$36.2 million. This amount relates to the write-down of remaining intangible balances established for those business units at the time of acquisition. As part of the elimination of these discontinued operations and their product lines, the Corporation has recorded an additional restructuring reserve in the amount of \$9.7 million to provide additional warranty support, at no cost, for products already sold. The warranty reserve has been included in Cost of Goods Sold-Discontinued Products while all remaining restructuring charges have been included in Restructuring and Other Non-Recurring Charges on the accompanying Consolidated Statements of Earnings.

As part of the simplification initiative, the Corporation has recorded other non-recurring charges in the amount of \$60.1 million. These charges include the elimination of \$40.9 million (\$50.9 million on a FIFO basis, net of a \$10.0 million LIFO reserve adjustment) of discontinued SKU's, costs to resolve certain legal matters in the amount of \$18.7 million and other transitional costs in the amount of \$0.5 million. The reduction of SKU's is an effort to reduce transaction costs and working capital intensity of our product offering, and refocus on high volume growth products. The charge for certain legal matters includes legal costs to conclude these issues. The non-recurring charge

SNAP-ON INCORPORATED
NOTES TO CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS (continued)

related to the reduction of SKU's has been included as part of Cost of Goods Sold-Discontinued Products, while the remaining non-recurring charges have been included in Restructuring and Other Non-Recurring Charges on the accompanying Consolidated Statements of Earnings.

6. During the first quarter of 1998, the Corporation acquired an additional 10 percent interest in the Thomson Corporation's Mitchell Repair Information business. The Corporation is obligated to purchase the remaining 40 percent of Mitchell Repair Information Company within the next four years. During

the second quarter of 1998, the Corporation acquired White Industries, a manufacturer of air conditioning service equipment sold through distributors. Also during the second quarter, the Corporation completed the tender offer for all outstanding common shares of Hein-Werner Corporation, a manufacturer of collision repair equipment. The acquisition of Hein-Werner was completed in July 1998, at a cost of approximately \$37 million. During the third quarter of 1998, the Corporation acquired G.S. S.r.l./Fontec S.r.l., an Italy-based tire service equipment company, at a cost of approximately \$17 million.

7. During the third quarter, the Corporation sold \$24.6 million of secured dealer loan receivables. During the second quarter of 1998, the Corporation sold \$48.5 million of interest-bearing installment receivables under its asset securitization program. As of October 3, 1998, the total amount of receivables sold and remaining outstanding under this program was \$348.5 million. The total amount of installment receivables authorized under the asset securitization program is \$350.0 million.
8. 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 shares of common stock is calculated using the treasury stock method. Diluted earnings per share are the same as presented for basic earnings per share in periods where the effect is antidilutive (that is, the calculation results in increased earnings per share or reduces net loss per share). The dilutive effect of stock options as of October 3, 1998 was 679,000 shares. These shares, however, are not included in the third quarter and first nine months of 1998 calculations due to their antidilutive nature.
9. In the first quarter of 1998, the Corporation adopted Statement of Financial Accounting Standards (SFAS) No. 130, "Reporting Comprehensive Income." Total comprehensive income (loss), consisting of net earnings (loss) and foreign currency translation adjustments, amounted to losses of \$67.3 million and \$11.6 million for the thirteen and thirty-nine week periods ended October 3, 1998 while total comprehensive income was \$33.0 million and \$97.6 million for the thirteen and thirty-nine week periods ended September 27, 1997.

The Financial Accounting Standards Board (FASB) has issued two accounting pronouncements which the Corporation will adopt in the fourth quarter of 1998. FASB Statement No. 131, "Disclosures about Segments of an Enterprise and Related Information" and Statement No. 132, "Employers' Disclosures about Pensions and Other Postretirement Benefits." The Corporation does not anticipate that the adoption of these statements will have a material impact on results of operations or financial position. FASB has also issued Statement No. 133, "Accounting for

SNAP-ON INCORPORATED
NOTES TO CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS (continued)

Derivative Instruments and Hedging Activities," which the Corporation is required to adopt no later than January 1, 2000. The Corporation is currently evaluating the impact of this pronouncement.

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

Interest Rate Derivative Instruments:

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

Foreign Currency Derivative Instruments:

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

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

The State of Texas subsequently terminated the emissions program described in the contracts. The Tejas Companies filed for bankruptcy, and commenced litigation in state and federal court against the TNRCC and related entities. The Corporation has recorded as assets the net amounts paid under the Guaranty, which are expected to be received from the State of Texas pursuant to a settlement agreement approved by the U.S. Bankruptcy Court. In the third quarter of 1998, the Corporation received \$16.9 million, leaving a net receivable balance of \$37.0 million as of October 3, 1998. This amount is included in Intangible and Other Assets on the accompanying Consolidated Balance Sheets. The Corporation expects to receive further payments in an amount sufficient to satisfy the

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SNAP-ON INCORPORATED

NOTES TO CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS (continued)

balance of the net receivable by August 31, 2001, which payments are subject to legislative appropriation. The Corporation believes that ultimate recovery of the net receivable is probable.

12. At the end of the second quarter of 1998, the Corporation adopted a Grantor Trust Stock Ownership Plan ("GSOP"). In conjunction with the formation of the GSOP, the Corporation sold 7.1 million shares of treasury stock to the GSOP. The sale of these shares had no net impact on shareholders' equity or on the Corporation's statement of earnings. The GSOP is a funding mechanism for certain benefit programs and compensation arrangements including the incentive stock program, and employee and dealer stock purchase plans. The GSOP is recorded as Employee Benefit Trust at Fair Market Value on the accompanying Consolidated Balance Sheets. Shares owned by the GSOP are accounted for as a reduction to shareholders' equity until used in connection with employee benefits. Each period the shares owned by the GSOP are valued at the closing market price, with corresponding changes in the GSOP balance reflected in additional paid-in capital.

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

RESULTS OF OPERATIONS

Overview: The Corporation posted record sales for the third quarter and first nine months of 1998, and reduced earnings and earnings per share. Net earnings for the third quarter of 1998 decreased from the year ago quarter despite a net sales increase of 9.2%. For the first nine months of 1998, net earnings decreased from the comparable 1997 period; net sales increased 10.2%. The

shortfalls resulted primarily from restructuring and other non-recurring charges related to the Corporation's simplification initiative ("Project Simplify"), which were recorded during the third quarter, declining gross profit due to a change in product and business mix and from expenses incurred as the Corporation realigns its internal processes to synchronize with its new enterprise-wide computer system.

The Corporation's simplification initiative, Project Simplify, which was approved by the board and implemented in the third quarter of 1998, is a broad program of internal rationalizations, consolidations and reorganizations that will make the Corporation's business operations simpler and more effective, and is expected to generate annual cost savings of \$60 million by year-end 2000. Project Simplify will result in the closing of 6 manufacturing facilities, 7 warehouses and 47 offices, representing approximately 17% of the Corporation's total square footage and 29% of the total number of current facilities. This project also provides for the elimination of 1,100 positions out of a workforce of 12,000, the elimination of 12,000 stock keeping units ("SKU's"), representing approximately 16% of the total, and the consolidation of certain business units. Charges relating to these restructuring efforts will be recorded in the third and fourth quarters of 1998 along with one-time special charges associated with certain legal matters and the elimination of certain SKU's. The implementation of the restructuring initiatives will also result in additional transitional costs. The Corporation expects the total charge for Project Simplify to approximate \$175 million through the first quarter of 2000.

These actions resulted in a one-time pre-tax charge of \$130.6 million (\$95.0 million, or \$1.59 per share after taxes) during the third quarter of 1998, which consists of restructuring charges (\$70.5 million) and other non-recurring charges (\$60.1 million). Excluding these charges, net earnings decreased 36.7% and 27.0% in the third quarter and first nine months of 1998, respectively, compared to 1997. Excluding these charges, diluted and basic earnings per share for the third quarter of 1998 each decreased 34.5% compared to the third quarter of 1997, while diluted and basic earnings per share for the first nine months of 1998 decreased 25.0% and 25.3%, respectively, compared to the first nine months of 1997.

Sales: Net sales for the third quarter of 1998 were \$427.3 million, an increase of 9.2% over the third quarter of 1997 sales of \$391.2 million. Net sales for the first nine months of 1998 were \$1.296 billion, an increase of 10.2% over 1997 nine-month sales of \$1.176 billion. The negative effect of foreign currency translation reduced the sales increase by 2 percentage points in both the third quarter and first nine months of 1998. Excluding acquisitions, net sales increased 1% in the quarter and 3% in the first nine months of 1998.

North American sales for the third quarter of 1998 were \$323.8 million, an increase of 3.2% over third quarter 1997 sales of \$313.7 million. Excluding acquisitions, sales were flat as increased sales through the dealer and industrial channels were offset by difficult sales comparisons versus a year ago when a high level of emissions-testing equipment was sold, and by weakness in exports to the Asia/Pacific

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

region. North American sales for the first nine months of 1998 were \$984.6 million, an increase of 7.3% over nine-month 1997 sales of \$917.7 million. Excluding acquisitions, sales rose 5% for the first nine months of 1998.

European sales for the third quarter of 1998 were \$85.8 million, an increase of 52.0% over third quarter 1997 sales of \$56.5 million. European sales for the first nine months of 1998 were \$257.6 million, an increase of 30.4% over nine-month 1997 sales of \$197.5 million. During the quarter, tool and equipment sales within Europe were strong, but weakness continued in equipment exports to Asia and Eastern Europe. Excluding acquisitions, sales were 17% higher in the quarter and were even in the first nine months of 1998. In local currency, sales rose 50% for the quarter and 33% for the first nine months of 1998.

Other sales for the third quarter of 1998 were \$17.7 million, a decrease of 15.7% from third quarter 1997 sales of \$21.0 million. Other sales for the first nine months of 1998 were \$53.7 million, a decrease of 11.3% over nine-month 1997

sales of \$60.5 million. Despite recent economic events in Asia, sales in local currency rose 2% for the quarter and 3% for the first nine months.

Earnings: The net loss for the third quarter was \$72.5 million, compared with net earnings of \$35.5 million for the comparable 1997 period. Basic per share earnings decreased to a loss of \$1.23 per share, compared with earnings of \$.58 per share in the third quarter a year ago. The net loss for the first nine months of 1998 was \$15.9 million, compared to net earnings of \$108.3 million in the first nine months of 1997. Basic per share earnings for the first nine months of 1998 decreased to a loss of \$.27 per share, compared with earnings of \$1.78 per share in the first nine months of 1997. Diluted per share earnings for the third quarter and the first nine months of 1998 are the same as presented for basic earnings per share due to the antidilutive effect of the computation (see Note 8). Diluted per share earnings for the third quarter and first nine months of 1997 were \$.58 and \$1.76, respectively.

Excluding the \$95.0 million (\$1.59 per share) restructuring and other non-recurring charges related to Project Simplify, earnings for the third quarter of 1998 were \$22.5 million, a decrease of 36.7% compared to the third quarter of 1997. Diluted and basic per share earnings, excluding the restructuring and non-recurring charges, were both \$.38 per share, a decrease of 34.5% compared to the year-ago period. The decrease is primarily the result of changes in business and product mix and expenses incurred as the Corporation realigns its internal processes to synchronize with its new enterprise-wide computer system. Excluding the charges for Project Simplify, earnings for the first nine months of 1998 were \$79.1 million, a decrease of 27.0% compared to the first nine months of 1997. Diluted per share earnings for the first nine months of 1998, excluding the restructuring and non-recurring charges, were \$1.32 per share, a decrease of 25.0% from a year ago. Basic per share earnings were \$1.33, a decrease of 25.3% from the first nine months of 1997.

Gross profit: The 1998 third quarter gross profit decline from last year's comparable period was primarily the result of the impact of the \$50.6 million restructuring and other non-recurring charges related to Project Simplify. Excluding these charges, gross profit as a percentage of net sales for the third quarter of 1998 declined to 47.3% compared to 50.9% during the third quarter of 1997. Also excluding these charges, gross profit as a percentage of net sales declined to 47.7% compared to 51.0% for the first nine

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

months of 1997. The decline in gross profit is driven by the lower margins of several recent acquisitions and a shift in sales mix to lower margin equipment products. The difficulties related to the implementation of the new computer system in North America has also had a negative impact on the sale of hand tools, a product line with high gross margins. The lower gross margins of several recent acquisitions also negatively affected consolidated gross profit.

Operating expenses: As a percentage of net sales, third quarter total operating expenses increased to 41.3% in 1998 from 39.5% in the same period of 1997. The increase is primarily a result of expenses (such as freight and temporary workers) related to the realignment of internal processes to synchronize with the new enterprise-wide computer system, and lower productivity as employees resolved the problems and were trained on the processes. As a percentage of net sales, nine-month operating expenses increased to 40.5% in 1998 from 39.5% in 1997.

Finance income: Finance income for the third quarter of 1998 was \$14.7 million, a decrease of 19.1% from third quarter 1997 finance income of \$18.1 million. Finance income for the first nine months of 1998 was \$47.5 million, a decrease of 11.9% from nine-month 1997 finance income of \$54.0 million. Net finance income declined because of the increased securitization of extended credit receivables and the sale of a majority of the lease portfolio in the past year.

Other income: During the third quarter of 1998, the Corporation recorded a \$2.5 million gain on the disposal of property.

FINANCIAL CONDITION

Liquidity: Cash and cash equivalents decreased to \$13.5 million at the end of

the third quarter from \$25.7 million at the end of 1997. Working capital decreased to \$629.0 million at third quarter end, from \$669.2 million at the end of 1997. During the first quarter, the Corporation raised its commercial paper program to \$175 million, which is supported by revolving credit facilities.

In September 1994, the Corporation filed a registration statement with the Securities and Exchange Commission that allows the Corporation to issue from time to time up to \$300 million of unsecured indebtedness. In October 1995, the Corporation issued \$100 million of its notes to the public. The shelf registration gives the Corporation financing flexibility to operate the business.

The Corporation believes it has sufficient sources of liquidity to support working capital requirements, finance capital expenditures and pay dividends.

Accounts receivable: Accounts receivable decreased 5.9% to \$507.8 million at the end of the third quarter, which is comprised of \$134.2 million of installment receivables and \$373.6 million of trade and other receivables, compared with \$539.6 million at the end of 1997. Growth related to acquisitions was more than offset by the sale of \$73.1 million of installment receivables in the first nine months of 1998.

The majority of the Corporation's accounts receivable involve customers' extended credit and lease purchases of higher-value products. Other receivables include those from dealers, industrial customers, national accounts and government entities.

Inventories: Inventories increased 12.7% to \$420.5 million in the 1998 third quarter, compared with \$373.2 million at the end of 1997. Excluding the non-recurring charge and acquisitions, inventories were 2% above the end of the second quarter, as inventory reductions in North America Transportation and Diagnostics were offset by inventories built for fourth quarter sales in Europe and the additive effect of

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

foreign currency. Industrial channel inventories also increased as planned September third quarter shipments for a private label program for a national retailer were shipped in October.

Liabilities: Total short-term and long-term debt was \$308.1 million at the end of the third quarter, compared with \$175.0 million at the end of 1997. Funding requirements for acquisitions, the repurchase of common stock and working capital needs were responsible for the higher debt levels.

Average shares outstanding: Average shares outstanding for basic EPS in the third quarter of 1998 were 59.0 million shares, versus 61.0 million in last year's third quarter. Average shares outstanding for basic EPS in the first nine months of 1998 were 59.4 million shares, versus 60.9 million in last year's comparable period. Average shares outstanding for diluted EPS for the third quarter of 1998 and the first nine months of 1998 are the same as presented as those for basic EPS due to the antidilutive effect of stock options on the calculations (see Note 8). Average shares outstanding for dilutive EPS were 59.0 million and 61.0 million for the third quarter and first nine months of 1997, respectively.

Share repurchase: On June 26, 1998, the Corporation's board of directors authorized an additional share repurchase program aggregating \$100 million of the Corporation's common stock. On June 27, 1997, the Corporation's board of directors authorized the repurchase of \$100 million of the Corporation's common stock over a two-year period. In 1996, the Corporation's board of directors authorized the ongoing repurchase of stock in an amount equivalent to that necessary to prevent dilution created by shares issued for stock options, employee and dealer stock purchase plans, and other corporate purposes. As of October 3, 1998, approximately \$115 million was available for share repurchases under these programs. The Corporation repurchased 420,000 shares of its common stock in the third quarter of 1998 and 1,959,400 shares in the first nine months of 1998.

Dividend increase: At its June 26, 1998 board meeting, the Corporation's board of directors declared a 4.8% increase in the common stock dividend. The new quarterly dividend will increase \$.01 per share to \$.22 per share, or \$.88 on an annual basis.

Foreign currency: The Corporation operates in a number of countries and, as a result, is exposed to changes in foreign currency exchange rates. Most of these exposures are managed on a consolidated basis to take advantage of natural offsets through netting. To the extent that the net exposures are hedged, forward contracts are used. Refer to Note 10 for a discussion of the Corporation's accounting policies for the use of derivative instruments.

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

For the Corporation's information systems, the committee has substantially completed the first two phases of this project, identification and development, and is proceeding with the implementation and testing phases of the required modifications. In North America, the implementation of the BaaN enterprise-wide system, which is Year 2000 compliant, will be substantially complete in the fourth quarter of 1998. In Europe, the implementation of the BaaN enterprise-wide system has just begun and is expected to be complete by the end of the fourth quarter 1999. The timely completion of the European implementation is

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

a top priority for the Corporation's European and IT management. They are working with the systems supplier to ensure that the timetable is met and that any necessary contingency plans are in place. For third-party systems, the committee has communicated with suppliers, dealers, financial institutions and others with whom the Corporation does business, and has received responses from over 80 percent of those contacted that they either are or plan to be Year 2000 compliant. For the Corporation's currently manufactured products, the committee has worked with the various business units in the testing of their products for compliance and in most cases have found no indication that these products create date-related issues when used in customary applications. It is expected that any remaining issues will be compliant by December of 1999. The committee has also been working with its third-party vendors to test and remediate issues regarding embedded systems. Based on testing completed to date, no significant issues have been identified.

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

The Corporation expects to be fully Year 2000 compliant by the end of the fourth quarter 1999 with costs to approximate between \$5 and \$7 million through December 1999. None of the Corporation's other information technology projects have been delayed as a result of these issues.

Euro Conversion: On January 1, 1999, certain member countries of the European Union are scheduled to establish fixed conversion rates between their existing currencies ("legacy currencies") and one common currency - the euro. The euro will then trade on currency exchanges and may be used in business transactions. Beginning in January 2002, new euro-denominated bills and coins will be issued, and legacy currencies will be withdrawn from circulation. The Corporation's operating subsidiaries affected by the euro conversion are developing plans to address the systems and business issues affected by the euro currency conversion. These issues include, among others, (1) the need to adapt computer

and other business systems and equipment to accommodate euro-denominated transactions; and (2) the competitive impact of cross-border price transparency, which may make it more difficult for businesses to charge different prices for the same products on a country-by-country basis. The Corporation does not expect this conversion to have a material impact on its financial condition or results of operations.

Other Matters: The Corporation's pursuit of a partnership or joint venture format to optimize the returns on its financial services business has resulted in the signing of a letter of intent with a partner, and negotiations for this venture are proceeding.

Safe Harbor: Statements in this document that are not historical facts, including statements (i) that include the words "believes," "expects," "anticipates" or "estimates" or words of similar importance with reference to the Corporation or management, (ii) specifically identified as forward-looking, or (iii) describing the Corporation's or management's future plans, objectives or goals, are forward-looking statements. The Corporation or its representatives may also make similar forward-looking statements from time to time orally or in writing. The Corporation cautions the reader that these statements are subject to risks, uncertainties and other factors that could cause (and in some cases have caused) actual results to differ materially from those described in any such statement. Those important factors include the Corporation's ability to manufacture, distribute and/or record the sale of products during the implementation of a new

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

computer system involving the replacement of hardware and software components and the enterprise-wide linking of all functions; the timing or speed with which the Corporation can implement the Project Simplify initiatives and the absence of unanticipated complications; the Corporation's ability to withstand external negative factors including changes in trade, monetary and fiscal policies, laws and regulations, or other activities of governments or their agencies; significant changes in the current competitive environment; inflation; currency fluctuations or the material worsening of the economic and political system in Asia; and the achievement of productivity improvements and cost reductions. These factors may not constitute all factors that could cause actual results to differ materially from those discussed in any forward-looking statement. The Corporation operates in a continually changing business environment and new factors emerge from time to time. The Corporation cannot predict such factors nor can it assess the impact, if any, of such factors on the Corporation or its results. The Corporation disclaims any responsibility to update any forward-looking statement provided in this document. Accordingly, forward-looking statements should not be relied upon as a prediction of actual results.

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PART II. OTHER INFORMATION

Item 6: Exhibits and reports on Form 8-K

Item 6(a): Exhibits

Exhibit 27 Financial Data Schedule

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

Date Filed	Date of Report	Item
July 22, 1998	June 1, 1998	Item 2. The Corporation filed a report outlining the completion of its acquisition of Hein-Werner Corporation.

October 22, 1998 October 22, 1998 Item 5. The Corporation filed a report
which contained its third quarter
Analyst Bulletin.

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SIGNATURES

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

SNAP-ON INCORPORATED

Date: January 28, 2000	/s/ N. T. Smith
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	N. T. SMITH
	(Principal Accounting Officer and Controller)

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EXHIBIT INDEX

Exhibit No.	Description
27	Financial Data Schedule

<ARTICLE>

5

<LEGEND>

THE SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE
CONSOLIDATED FINANCIAL STATEMENTS OF SNAP-ON INCORPORATED AS OF AND FOR THE
THIRTY-NINE WEEKS ENDED OCTOBER 3, 1998 AND IS QUALIFIED IN ITS ENTIRETY
BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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<F1>Period is thirty-nine weeks.

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