

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

FORM 10-Q

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

For the quarterly period ended October 2, 2004

Commission File Number 1-7724

Snap-on Incorporated

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

39-0622040
(I.R.S. Employer Identification No.)

10801 Corporate Drive, Pleasant Prairie, Wisconsin
(Address of principal executive offices)

53158-1603
(zip code)

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

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes 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 29, 2004 |
|-----------------------------|---------------------------------|
| Common Stock, \$1 par value | 57,539,316 shares |

SNAP-ON INCORPORATED

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

| | Three Months Ended | | Nine Months Ended | |
|--------------------------------------|--------------------|-----------------------|--------------------|-----------------------|
| | October 2, 2004 | September 27, 2003 | October 2, 2004 | September 27, 2003 |
| Net sales | \$ 550.9 | \$ 525.6 | \$ 1,737.3 | \$ 1,633.9 |
| Financial services revenue | 17.9 | -- | 59.9 | -- |
| Total revenue | 568.8 | 525.6 | 1,797.2 | 1,633.9 |
| Cost of goods sold | (311.5) | (303.8) | (992.7) | (920.6) |
| Operating expenses | (220.8) | (200.7) | (700.2) | (630.2) |
| Net finance income | -- | 10.0 | -- | 31.7 |
| Operating earnings | 36.5 | 31.1 | 104.3 | 114.8 |
| Interest expense | (6.1) | (5.8) | (17.4) | (18.2) |
| Other income (expense) - net | (0.8) | (2.4) | (3.6) | (6.5) |
| Earnings before income taxes | 29.6 | 22.9 | 83.3 | 90.1 |
| Income taxes | 6.8 | 5.2 | 25.6 | 28.7 |
| Net earnings | \$ 22.8 | \$ 17.7 | \$ 57.7 | \$ 61.4 |
| Net earnings per share: | | | | |
| Basic | \$ 0.39 | \$ 0.30 | \$ 1.00 | \$ 1.05 |
| Diluted | \$ 0.39 | \$ 0.30 | \$ 0.99 | \$ 1.05 |
| Weighted-average shares outstanding: | | | | |
| Basic | 57.7 | 58.3 | 57.9 | 58.2 |
| Effect of dilutive options | 0.5 | 0.1 | 0.6 | 0.2 |
| Diluted | 58.2 | 58.4 | 58.5 | 58.4 |
| Dividends declared per common share | \$ -- | \$ -- | \$ 0.75 | \$ 0.75 |

See Notes to Consolidated Financial Statements.

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

| | October 2, 2004 | January 3, 2004 |
|---|--------------------|--------------------|
| | <u> </u> | <u> </u> |
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 153.3 | \$ 96.1 |
| Accounts receivable - net of allowances | 527.5 | 546.8 |
| Inventories | | |
| Finished goods | 316.5 | 305.7 |
| Work in process | 39.9 | 46.5 |
| Raw materials | 69.6 | 80.7 |
| Excess of current cost over LIFO cost | (80.7) | (81.8) |
| | <u> </u> | <u> </u> |
| Total inventories | 345.3 | 351.1 |
| Deferred income tax benefits | 75.2 | 71.4 |
| Prepaid expenses and other assets | 80.4 | 66.3 |
| | <u> </u> | <u> </u> |
| Total current assets | 1,181.7 | 1,131.7 |
| Property and equipment | | |
| Land | 24.9 | 26.9 |
| Buildings and improvements | 214.4 | 217.8 |
| Machinery and equipment | 569.8 | 580.4 |
| | <u> </u> | <u> </u> |
| | 809.1 | 825.1 |
| Accumulated depreciation | (507.0) | (496.5) |
| | <u> </u> | <u> </u> |
| Property and equipment - net | 302.1 | 328.6 |
| Deferred income tax benefits | 10.7 | 16.1 |
| Goodwill | 411.2 | 417.6 |
| Other intangibles - net | 67.6 | 69.5 |
| Other assets | 177.2 | 175.0 |
| | <u> </u> | <u> </u> |
| Total assets | \$ 2,150.5 | \$ 2,138.5 |
| | <u> </u> | <u> </u> |

See Notes to Consolidated Financial Statements.

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

| | October 2, 2004 | January 3, 2004 |
|--|--------------------|--------------------|
| | <u> </u> | <u> </u> |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current Liabilities | | |
| Accounts payable | \$ 200.8 | \$ 189.7 |
| Notes payable and current maturities of long-term debt | 28.3 | 30.2 |
| Accrued benefits | 33.6 | 35.3 |
| Accrued compensation | 51.9 | 49.2 |
| Dealer deposits | 44.4 | 49.9 |
| Deferred subscription revenue | 23.0 | 20.6 |
| Income taxes | 24.2 | 20.1 |
| Other accrued liabilities | 151.5 | 172.2 |
| | <u> </u> | <u> </u> |
| Total current liabilities | 557.7 | 567.2 |
| Long-term debt | 303.5 | 303.0 |
| Deferred income taxes | 46.7 | 34.3 |
| Retiree health care benefits | 90.2 | 89.3 |
| Pension liabilities | 84.6 | 74.2 |
| Other long-term liabilities | 65.7 | 59.6 |

| | | |
|---|------------|------------|
| Total liabilities | 1,148.4 | 1,127.6 |
| 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 66,992,505 and 66,956,246 shares | 67.0 | 67.0 |
| Additional paid-in capital | 79.9 | 94.5 |
| Retained earnings | 1,099.0 | 1,084.7 |
| Accumulated other comprehensive income (loss) | 32.6 | 38.6 |
| Grantor stock trust at fair market value - 4,605,838 and 5,007,809 shares | (132.3) | (159.2) |
| Treasury stock at cost - 4,674,764 and 3,774,764 shares | (144.1) | (114.7) |
| Total shareholders' equity | 1,002.1 | 1,010.9 |
| Total liabilities and shareholders' equity | \$ 2,150.5 | \$ 2,138.5 |

See Notes to Consolidated Financial Statements.

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

| | Nine Months Ended | |
|---|--------------------|-----------------------|
| | October 2, 2004 | September 27, 2003 |
| OPERATING ACTIVITIES | | |
| Net earnings | \$ 57.7 | \$ 61.4 |
| Adjustments to reconcile net earnings to net cash provided (used) by operating activities: | | |
| Depreciation | 46.1 | 41.9 |
| Amortization of other intangibles | 2.0 | 1.6 |
| Deferred income tax provision (benefit) | 8.6 | (5.2) |
| (Gain) loss on sale of assets | (1.1) | -- |
| (Gain) loss on mark-to-market for cash flow hedges | 1.3 | 0.8 |
| Changes in operating assets and liabilities, net of effects of acquisitions: | | |
| (Increase) decrease in receivables | 38.5 | 27.7 |
| (Increase) decrease in inventories | 1.3 | 29.5 |
| (Increase) decrease in prepaid and other assets | (5.9) | (23.0) |
| Increase (decrease) in accounts payable | 3.7 | (2.9) |
| Increase (decrease) in accruals and other liabilities | (18.0) | 8.2 |
| Net cash provided by operating activities | 134.2 | 140.0 |
| INVESTING ACTIVITIES | | |
| Capital expenditures | (25.9) | (18.7) |
| Acquisitions of businesses - net of cash acquired | -- | 0.1 |
| Proceeds from disposal of property and equipment | 11.3 | 4.0 |
| Proceeds from disposition of business | 0.6 | -- |
| Net cash used in investing activities | (14.0) | (14.6) |
| FINANCING ACTIVITIES | | |
| Payment of long-term debt | (0.3) | (0.2) |
| Net decrease in short-term borrowings | (2.0) | (22.8) |
| Purchase of treasury stock | (29.4) | (8.1) |
| Proceeds from stock purchase and option plans | 12.4 | 7.8 |
| Proceeds from termination of interest rate swap agreement | -- | 5.1 |
| Cash dividends paid | (43.4) | (43.6) |

| | | |
|--|----------|---------|
| Net cash used in financing activities | (62.7) | (61.8) |
| Effect of exchange rate changes on cash and cash equivalents | (0.3) | 3.4 |
| Increase in cash and cash equivalents | 57.2 | 67.0 |
| Cash and cash equivalents at beginning of period | 96.1 | 18.4 |
| Cash and cash equivalents at end of period | \$ 153.3 | \$ 85.4 |
| Supplemental cash flow disclosures: | | |
| Cash paid for interest | \$ 22.0 | \$ 19.3 |
| Cash paid for income taxes | \$ 4.5 | \$ 13.3 |

See Notes to Consolidated Financial Statements

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SNAP-ON INCORPORATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. This report should be read in conjunction with the consolidated financial statements and related notes included in Snap-on Incorporated's ("Snap-on" or "the company") Annual Report on Form 10-K for the year ended January 3, 2004.

The consolidated financial statements include the accounts of Snap-on and its majority-owned subsidiaries and do not include the accounts of the company's independent dealers. All significant intercompany accounts and transactions have been eliminated. Certain prior-year amounts have been reclassified to conform to the current-year presentation.

During the third quarter of 2004, Snap-on realigned certain of its business units within its reportable business segments. Prior year financial data by segment has been restated to reflect the reportable business segment realignments. Refer to Note 14 for information on Snap-on's business segments.

In the opinion of management, all adjustments (consisting of normal recurring adjustments, including adjustments related to the company's adoption of the Financial Accounting Standards Board's ("FASB") interpretation ("FIN") No. 46R, as discussed in Note 2 below), necessary to a fair statement of financial condition and results of operations for the three and nine month periods ended October 2, 2004, have been made. Management also believes that the results of operations for the three and nine month periods ended October 2, 2004, are not necessarily indicative of the results to be expected for the full fiscal year.

2. The FASB issued FIN No. 46R, "Consolidation of Variable Interest Entities (an interpretation of ARB No. 51)" in December 2003, which became effective for Snap-on at the beginning of its 2004 fiscal year. FIN No. 46R provides consolidation guidance regarding the identification of variable interest entities ("VIE") for which control is achieved through means other than through voting rights. FIN No. 46R provides guidance in determining if a business enterprise is the primary beneficiary of a VIE and whether or not that business enterprise should consolidate the VIE for financial reporting purposes.

Based on the company's analysis of FIN No. 46R, the company concluded that Snap-on would consolidate Snap-on Credit LLC ("SOC") as of January 4, 2004, the beginning of Snap-on's 2004 fiscal year. Snap-on previously accounted for SOC, a 50%-owned joint venture with The CIT Group, Inc. ("CIT"), using the equity method. Snap-on has consolidated SOC on a prospective basis and, as such, has not restated previously issued financial statements. The impact of the consolidation of SOC on Snap-on's consolidated balance sheet was not significant. As a result of the consolidation of SOC in fiscal 2004, Snap-on is reporting the results of its finance operations as a new business segment, "Financial Services." See Note 14 for further discussion of Snap-on's business segments.

SOC, which commenced operations on January 3, 1999, provides a broad range of financial services to Snap-on's U.S. dealer and customer network and to Snap-on's industrial and other customers. As a result of establishing SOC, Snap-on effectively outsourced to SOC its domestic captive credit function. Snap-on and CIT have identical voting and participation rights and responsibilities in SOC. Snap-on receives royalty and management fee income from SOC based on the volume of financings originated by SOC. Snap-on also shares with CIT in any residual net profit or loss of the joint venture after operating expenses, including royalty and management fees, interest costs and credit loss provisions.

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

SOC sells substantially all of its originated contracts (through asset-securitization transactions) on a limited recourse basis to CIT, net of certain fees. SOC continues to service these contracts for an estimated market-rate servicing fee. SOC originated contracts totaling \$109.1 million and \$358.7 million during the three and nine month periods ended October 2, 2004.

Snap-on has credit risk exposure for certain SOC-originated contracts with recourse provisions against Snap-on. At October 2, 2004, and January 3, 2004, \$9.5 million and \$14.1 million of loans, with terms ranging from six months to ten years, have a primary recourse provision to Snap-on if the loans become more than 90 days past due. The asset value of the collateral underlying these recourse loans would serve to mitigate Snap-on's loss in the event of default. The estimated fair value of the guarantees for all loan originations with recourse as of October 2, 2004, was not material.

CIT and Snap-on have agreed to lend funds to support SOC's working capital requirements on a 50/50 basis, with a combined maximum borrowing limit not to exceed \$24 million. As of October 2, 2004, SOC owed Snap-on \$0.3 million pursuant to this agreement.

Snap-on's exposure related to SOC as of October 2, 2004, was its \$7.0 million investment and the \$0.3 million loan plus the recourse obligations on customer financings, which are discussed above. CIT's investment of \$7.0 million as of October 2, 2004, is included in "Other long-term liabilities" on the accompanying Consolidated Balance Sheets.

3. Accounts receivable include trade accounts, installment and other receivables, including the current portion of dealer financing receivables. The components of Snap-on's current accounts receivable were as follows:

| <i>(Amounts in millions)</i> | October 2, 2004 | January 3, 2004 |
|---|--------------------|--------------------|
| Trade accounts receivable | \$ 484.0 | \$ 501.8 |
| Installment receivables, net of unearned finance charges of \$12.2 million and \$11.4 million | 46.4 | 55.1 |
| Other accounts receivable | 40.0 | 34.9 |
| Total | 570.4 | 591.8 |
| Allowances for doubtful accounts | (42.9) | (45.0) |
| Total accounts receivable - net | \$ 527.5 | \$ 546.8 |

The long-term portion of accounts receivable is classified in "Other assets" on the accompanying Consolidated Balance Sheets and is comprised of installment and other receivables, including dealer financing receivables, with payment terms that are due beyond one year. The components of Snap-on's long-term accounts receivable were as follows:

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

| <i>(Amounts in millions)</i> | October 2, 2004 | January 3, 2004 |
|---|--------------------|--------------------|
| Installment receivables, net of unearned finance charges of \$7.4 million and \$9.1 million | \$ 48.0 | \$ 41.9 |
| Other long-term accounts receivable | 20.2 | 19.8 |
| Total | \$ 68.2 | \$ 61.7 |

4. Disclosures related to acquired intangible assets are as follows:

| <i>(Amounts in millions)</i> | October 2, 2004 | | January 3, 2004 | |
|---------------------------------------|----------------------------|-----------------------------|----------------------------|-----------------------------|
| | Gross Carrying Value | Accumulated Amortization | Gross Carrying Value | Accumulated Amortization |
| Amortized intangible assets: | | | | |
| Trademarks | \$ 2.7 | \$ (0.5) | \$ 2.7 | \$ (0.4) |
| Patents | 32.6 | (13.0) | 32.3 | (11.3) |
| Total | 35.3 | (13.5) | 35.0 | (11.7) |
| Unamortized intangible assets: | | | | |
| Trademarks | 45.8 | -- | 46.2 | -- |
| Total | \$ 81.1 | \$ (13.5) | \$ 81.2 | \$ (11.7) |

The weighted-average amortization period is 35 years for trademarks and 16 years for patents. The weighted-average amortization period for trademarks and patents on a combined basis is 19 years.

Amortization expense was \$0.9 million and \$2.0 million for the three and nine month periods ended October 2, 2004, and \$0.7 million and \$1.6 million for the three and nine month periods ended September 27, 2003. Total estimated annual amortization expense expected for each of the next five fiscal years, based on current levels of intangible assets, is \$2.6 million for 2004, \$1.9 million for 2005, and \$1.8 million for 2006, 2007 and 2008.

Goodwill was \$411.2 million and \$417.6 million at October 2, 2004, and January 3, 2004. The decrease in goodwill reflects \$4.5 million of currency translation and \$1.9 million relating to the third-quarter 2004 finalization of purchase accounting for a prior acquisition and the second-quarter 2004 sale of a business.

5. During the three and nine month periods ended October 2, 2004, Snap-on recorded costs associated with exit or disposal activities (“restructuring costs”) of \$3.9 million and \$18.6 million, including charges of \$2.6 million and \$15.0 million that are included in “Cost of goods sold” and charges of \$1.3 million and \$3.6 million that are included in “Operating expenses” on the accompanying Consolidated Statements of Earnings. Of the \$3.9 million of restructuring costs recorded during the third quarter of 2004, \$1.2 million qualified as restructuring accruals and \$2.7 million was expensed as incurred.

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

Restructuring costs incurred in the third quarter of 2004 primarily related to the closure of a German hand-tool plant that was consolidated into the company’s Spanish operation; the elimination of one plant in Spain through further consolidation; the movement of production of certain saw products from the United Kingdom to Eastern Europe; the phase out of production at two U.S. hand-tool manufacturing facilities in March 2004; and management realignment actions at various other Snap-on facilities.

Snap-on’s 2004 restructuring accrual activity for the quarter ended October 2, 2004, related to its 2004 actions was as follows:

| <i>(Amounts in millions)</i> | Balance at July 3, 2004 | Provision | Usage | Balance at October 2, 2004 |
|---|-------------------------------|---------------|-----------------|----------------------------------|
| Severance costs: | | | | |
| Commercial and Industrial Group | \$ 1.7 | \$ 1.2 | \$ (1.1) | \$ 1.8 |
| Diagnostic and Information Group | 0.1 | -- | -- | 0.1 |
| Facility consolidation or closure costs: | | | | |
| Commercial and Industrial Group | -- | -- | -- | -- |
| Total | \$ 1.8 | \$ 1.2 | \$ (1.1) | \$ 1.9 |

Restructuring accrual usage was \$1.1 million for severance payments related to the separation of employees. Since year-end 2003, Snap-on has reduced headcount by 417 employees as part of its 2004 restructuring actions. Snap-on anticipates that the restructuring accrual recorded during the third quarter of 2004 will be fully utilized by the end of fiscal 2004.

Snap-on’s 2004 restructuring accrual activity for the quarter ended October 2, 2004, related to its 2003 actions was as follows:

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

| <i>(Amounts in millions)</i> | Balance at July 3, 2004 | Provision | Usage | Balance at October 2, 2004 |
|------------------------------------|-------------------------------|-----------|----------|----------------------------------|
| Severance costs: | | | | |
| Snap-on Dealer Group | \$ 1.4 | \$ -- | \$ (0.5) | \$ 0.9 |
| Commercial and Industrial Group | 0.3 | -- | (0.1) | 0.2 |
| Diagnostic and | | | | |

| | | | | |
|---|---------------|--------------|-----------------|---------------|
| Information Group | 0.1 | -- | -- | 0.1 |
| Facility consolidation or closure costs: | | | | |
| Diagnostic and Information Group | 0.1 | -- | (0.1) | -- |
| Total | <u>\$ 1.9</u> | <u>\$ --</u> | <u>\$ (0.7)</u> | <u>\$ 1.2</u> |

Restructuring accrual usage of \$0.7 million in the third quarter of 2004 consisted of continuing severance payments related to the separation of employees. Since year-end 2003, Snap-on reduced headcount by 464 employees as part of its 2003 actions. Snap-on anticipates that the restructuring accrual related to its 2003 restructuring actions will be fully utilized by the end of fiscal 2004.

Snap-on expects to fund the remaining cash requirements of its 2004 and 2003 restructuring activities with cash flows from operations and borrowings under the company's existing credit facilities. The specific restructuring measures and estimated costs were based on management's best business judgment under prevailing circumstances. Snap-on also expects that it will incur approximately \$4 million of additional restructuring costs during the remainder of fiscal 2004.

6. Notes payable and long-term debt at October 2, 2004, and January 3, 2004, totaled \$331.8 million and \$333.2 million. Notes payable to banks under bank lines of credit totaled \$3.0 million and \$4.9 million at October 2, 2004, and January 3, 2004. At October 2, 2004, and January 3, 2004, Snap-on had commercial paper outstanding denominated in U.S. dollars of \$25.0 million.

On July 27, 2004, Snap-on entered into a five-year \$400 million multi-currency revolving credit facility that terminates on July 27, 2009. This \$400 million facility replaced Snap-on's \$408 million of multi-currency revolving credit facilities. The \$400 million revolving credit facility's financial covenant requires that Snap-on maintain a ratio of total debt to the sum of total debt plus shareholders' equity of not greater than 0.60 to 1.00. As of the filing date of this document, Snap-on believes it is in compliance with all covenants of this revolving credit facility.

At October 2, 2004, Snap-on also had \$20 million of unused committed bank lines of credit of which \$10 million expires on July 31, 2005, and \$10 million expires on August 31, 2005.

7. Snap-on uses derivative instruments to manage well-defined interest rate and foreign currency exposures. Snap-on does not use derivative instruments for speculative or 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. On the date a derivative contract is entered into, Snap-on designates the derivative as a fair value hedge, a cash flow hedge, a hedge of a net investment in a foreign operation, or a natural hedging instrument whose change in fair value is recognized as an economic hedge against changes in the values of the hedged item.

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

Foreign Currency Derivative Instruments: Snap-on has operations in a number of countries that have transactions outside their functional currencies and, as a result, is exposed to changes in foreign currency exchange rates. In addition, Snap-on hedges the anticipated repayment of intercompany loans to foreign subsidiaries denominated in foreign currencies. Snap-on manages most of these exposures on a consolidated basis, which allows for netting of certain exposures to take advantage of natural offsets. Forward exchange contracts are used to hedge the net exposures. Gains or losses on net foreign currency hedges are intended to offset losses or gains on the underlying net exposures in an effort to reduce the earnings volatility resulting from fluctuating foreign currency exchange rates.

At October 2, 2004, Snap-on had net outstanding foreign forward exchange contracts to sell \$28.9 million comprised of buy contracts of \$100.7 million in Swedish kronor, \$17.0 million in Canadian dollars, \$9.0 million in Australian dollars, \$3.2 million in Taiwan dollars, \$1.0 million in Swiss francs and \$0.4 million in other buy contracts and sell contracts of \$70.0 million in euros, \$54.8 million in British pounds, \$14.1 million in Singapore dollars, \$5.4 million in Danish kronor, \$4.9 million in Japanese yen, \$3.6 million in Norwegian kronor, \$3.1 million in Hungarian forints, \$1.3 million in Polish zloty, \$1.1 million in Mexican pesos and net sell contracts of \$1.9 million in other currencies. At January 3, 2004, Snap-on had net outstanding foreign forward exchange contracts to sell \$84.0 million comprised of buy contracts of \$72.8 million in Swedish kronor, \$3.2 million in Taiwan dollars and \$0.6 million in other currencies and sell contracts of \$72.8 million in euros, \$43.3 million in British pounds, \$11.8 million in Canadian dollars, \$10.2 million in Japanese yen, \$8.9 million in Singapore dollars, \$5.7 million in Danish kronor, \$4.3 million in Norwegian kronor, \$2.3 million in Mexican pesos and \$1.3 million in Australian dollars.

The majority of Snap-on's forward exchange contracts are not designated as hedges. The fair value changes of these contracts are reported in earnings as foreign exchange gain or loss, which is included in "Other income (expense) – net" on the accompanying Consolidated Statements of Earnings. Those forward exchange contracts that qualify for hedge accounting treatment are accounted for as cash flow hedges where the effective portion of the changes in fair value of the derivative is recorded in "Accumulated other comprehensive income (loss)" on the accompanying Consolidated Balance Sheets. When the hedged item is realized in income, the gain or loss included in "Accumulated other comprehensive income (loss)" is reclassified to income in the same financial statement caption as the hedged item. The ineffective portion of changes in fair value of the cash flow hedges is reported in earnings as foreign exchange gain or loss, which is included in "Other income (expense) – net," and was not material for the three and nine month periods ended October 2, 2004, and September 27, 2003.

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

Interest Rate Swap Agreements: Snap-on enters into interest rate swap agreements to manage interest costs and risks associated with changing interest rates. Interest rate swap agreements are accounted for as either cash flow hedges or fair value hedges. The differentials paid or received on interest rate swap agreements are accrued and recognized as adjustments to interest expense. For fair value hedges, the effective portion of the change in fair value of the derivative is recorded in "Long-term debt" on the accompanying Consolidated Balance Sheets, while any ineffective portion is recorded as an adjustment to interest expense. For cash flow hedges, the effective portion of the change in fair value of the derivative is recorded in "Accumulated other comprehensive income (loss)," while any ineffective portion is recorded as an adjustment to interest expense. The notional amount of interest rate swaps was \$75.0 million at October 2, 2004, and January 3, 2004, and included \$50.0 million of fair value hedges and \$25.0 million of cash flow hedges.

For all cash flow hedges qualifying for hedge accounting, the net accumulated derivative loss at October 2, 2004, was \$0.2 million, after tax, and is reflected in "Accumulated other comprehensive income (loss)." Changes in the fair value of derivative financial instruments qualifying for hedge accounting are reflected as derivative assets or liabilities with the corresponding gains or losses reflected in earnings in the period of change. An offsetting gain or loss is also reflected in earnings based upon the changes of the fair value of the debt instrument being hedged. For all fair value hedges qualifying for hedge accounting, the net accumulated derivative loss at October 2, 2004, was \$1.0 million. At October 2, 2004, the maximum maturity date of any cash flow hedge and fair value hedge was approximately one year and seven years, respectively. During the next 12 months, Snap-on expects to reclassify into earnings net gains from "Accumulated other comprehensive income (loss)" of approximately \$0.1 million after tax at the time the underlying hedged transactions are realized. During the three and nine month periods ended October 2, 2004, cash flow hedge and fair value hedge ineffectiveness was not material.

8. Snap-on's pension expense included the following components:

| | Three Months Ended | | Nine Months Ended | |
|------------------------------|--------------------|-----------------------|--------------------|-----------------------|
| | October 2, 2004 | September 27, 2003 | October 2, 2004 | September 27, 2003 |
| <i>(Amounts in millions)</i> | | | | |
| Service cost | \$ 4.8 | \$ 4.2 | \$ 14.4 | \$ 12.7 |
| Interest cost | 10.5 | 10.0 | 31.5 | 30.1 |
| Expected return on assets | (12.5) | (10.5) | (37.6) | (32.0) |
| Amortization of: | | | | |
| Actuarial loss | 1.6 | 0.6 | 4.8 | 1.6 |
| Prior service cost | 0.4 | 0.5 | 1.2 | 1.4 |
| Net transition asset | -- | (0.1) | -- | (0.3) |
| Curtailement (gain) loss | (0.1) | 8.2 | (0.3) | 8.2 |
| Net pension expense | \$ 4.7 | \$ 12.9 | \$ 14.0 | \$ 21.7 |

Snap-on has not made, and presently does not expect to make, a contribution to its domestic pension plans in 2004.

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

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

| | Three Months Ended | | Nine Months Ended | |
|----------------------------------|--------------------|-----------------------|--------------------|-----------------------|
| | October 2, 2004 | September 27, 2003 | October 2, 2004 | September 27, 2003 |
| <i>(Amounts in millions)</i> | | | | |
| Service cost | \$ 0.2 | 0.1 | \$ 0.6 | \$ 0.6 |
| Interest cost | 1.2 | 1.6 | 3.6 | 4.6 |
| Amortization of actuarial (gain) | (0.2) | -- | (0.7) | -- |
| Net postretirement expense | \$ 1.2 | \$ 1.7 | \$ 3.5 | \$ 5.2 |

On December 8, 2003, the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the "Act") was signed into law. The Act includes a prescription drug benefit under Medicare Part D as well as a federal subsidy beginning in 2006 to sponsors of retiree health care plans that provide a benefit that is at least actuarially equivalent, as defined in the Act, to Medicare Part D. In accordance with FASB Staff Position ("FSP") Financial Accounting Standards ("FAS") 106-1, "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug Improvement and Modernization Act of 2003," the company elected to defer the recognition of the effects of this Act on the consolidated financial statements until authoritative guidance on the federal subsidy was issued by the FASB. The final FASB guidance, FSP FAS 106-2, was issued May 19, 2004, and the company adopted the guidance prospectively in the third quarter of 2004. Based on the adoption of this guidance, the company believes its retiree health care plans are at least actuarially equivalent to Medicare Part D and eligible for the federal subsidy. The cash flow the company expects to receive from the subsidy, when it becomes effective in 2006, is estimated to be approximately \$0.1 million annually. Treating the provision of the Act as an actuarial experience gain as required by FSP FAS 106-2 will result in a decrease in the accumulated postretirement benefit obligation of approximately \$1.1 million.

10. Snap-on has various stock award and purchase plans for directors, officers and key employees.

Stock options outstanding under the 2001 Incentive Stock and Awards Plan ("2001 Plan") and the predecessor plan have expiration dates ranging from 2005 to 2014 and vesting periods ranging from immediate to three years. The plans provide that options be granted at exercise prices equal to market value on the date the option is granted. Stock option activity under the 2001 Plan and predecessor plans was as follows:

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

| | Three Months Ended October 2, 2004 | | Nine Months Ended October 2, 2004 | |
|------------------------------------|---------------------------------------|--------------------|--------------------------------------|--------------------|
| | Options | Exercise Price* | Options | Exercise Price* |
| Outstanding at beginning of period | 6,092,365 | \$ 30.54 | 5,642,219 | \$ 30.23 |
| Granted | -- | -- | 696,000 | 31.61 |
| Exercised | 40,450 | 27.06 | 258,222 | 25.74 |
| Canceled | 11,450 | 28.90 | 39,532 | 31.55 |
| Outstanding at end of period | <u>6,040,465</u> | 30.57 | <u>6,040,465</u> | 30.57 |
| Exercisable at end of period | <u>5,047,565</u> | 30.80 | <u>5,047,565</u> | 30.80 |

*Weighted-average

The following table summarizes information about stock options outstanding as of October 2, 2004:

| Range of Exercise Prices | October 2, 2004 | | |
|--------------------------|------------------------|---|--------------------|
| | Options Outstanding | Remaining Contractual Life (Years)* | Exercise Price* |
| \$19 to \$25 | 10,125 | 0.37 | \$ 23.24 |
| \$25 to \$31 | 3,161,929 | 6.39 | 27.18 |
| \$31 to \$38 | 2,429,276 | 6.34 | 33.31 |
| \$38 to \$46 | 439,135 | 3.32 | 39.98 |
| Totals | <u>6,040,465</u> | 6.14 | 30.57 |

*Weighted-average

Snap-on accounts for its stock-based employee compensation plans under the recognition and measurement principles of Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees." In accordance with the provisions of APB Opinion No. 25, no compensation expense was recorded for stock options as all options granted had an exercise price equal to the market value of the underlying common stock on the measurement date. For restricted stock and stock appreciation rights awards, Snap-on recorded compensation expense in the respective periods as appropriate.

The following table illustrates the effect on net earnings and earnings per share as if Snap-on had applied the fair value recognition provisions of Statement of Financial Accounting Standards ("SFAS") No. 123, "Accounting for Stock-Based Compensation," to stock-based employee compensation using the Black-Scholes option-pricing model.

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

| | Three Months Ended | | Nine Months Ended | |
|--|--------------------|-----------------------|--------------------|-----------------------|
| | October 2, 2004 | September 27, 2003 | October 2, 2004 | September 27, 2003 |
| <i>(Amounts in millions, except per share data)</i> | | | | |
| Net earnings, as reported | \$ 22.8 | \$ 17.7 | \$ 57.7 | \$ 61.4 |
| Add: | | | | |
| Stock-based employee compensation expense included in reported net income, net of related tax effects | (2.5) | 0.3 | (0.2) | 2.2 |
| Deduct: | | | | |
| Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects | -- | (2.0) | (3.5) | (5.7) |
| Pro forma net earnings | <u>\$ 20.3</u> | <u>\$ 16.0</u> | <u>\$ 54.0</u> | <u>\$ 57.9</u> |
| Net earnings per share - basic: | | | | |
| As reported | \$ 0.39 | \$ 0.30 | \$ 1.00 | \$ 1.05 |
| Pro forma | 0.35 | 0.27 | 0.93 | 0.99 |
| Net earnings per share - diluted: | | | | |
| As reported | 0.39 | 0.30 | 0.99 | 1.05 |
| Pro forma | 0.35 | 0.27 | 0.92 | 0.99 |

11. The shares used in the computation of the company's basic and diluted earnings per common share are as follows:

| | Three Months Ended | | Nine Months Ended | |
|---|--------------------|-----------------------|--------------------|-----------------------|
| | October 2, 2004 | September 27, 2003 | October 2, 2004 | September 27, 2003 |
| Weighted-average common shares outstanding | 57,732,681 | 58,289,152 | 57,938,107 | 58,242,517 |
| Dilutive effect of employee stock options | 486,718 | 149,711 | 533,356 | 149,711 |
| Weighted-average common shares outstanding, assuming dilution | <u>58,219,399</u> | <u>58,438,863</u> | <u>58,471,463</u> | <u>58,392,228</u> |

The dilutive effect of the potential exercise of outstanding options to purchase common shares is calculated using the treasury stock method. Options to purchase 2,177,411 shares and 3,779,270 shares of Snap-on common stock were not included in the computation of diluted earnings per share for the three months ended October 2, 2004, and September 27, 2003, as the exercise prices of the options were greater than the average market price of the common stock for the respective periods and the effect on earnings per share would be anti-dilutive. Options to purchase 1,456,807 shares and 3,779,270 shares of Snap-on common stock were not included in the computation of diluted earnings per share for the nine months ended October 2, 2004, and September 27, 2003, as the exercise prices of the options were greater than the average market price of the common stock for the respective periods and the effect on earnings per share would be anti-dilutive.

12. Total comprehensive income for the three and nine month periods ended October 2, 2004, and September 27, 2003, was as follows:

| | Three Months Ended | | Nine Months Ended | |
|--|--------------------|-----------------------|--------------------|-----------------------|
| | October 2, 2004 | September 27, 2003 | October 2, 2004 | September 27, 2003 |
| <i>(Amounts in millions)</i> | | | | |
| Net earnings | \$ 22.8 | \$ 17.7 | \$ 57.7 | \$ 61.4 |
| Foreign currency translation | 15.3 | 0.4 | (7.4) | 79.1 |
| Change in fair value of derivative instruments, net of tax | 0.9 | 0.2 | 1.4 | 1.0 |
| Total comprehensive income | \$ 39.0 | \$ 18.3 | \$ 51.7 | \$ 141.5 |

13. Snap-on provides product warranties for specific product lines and accrues for estimated future warranty cost in the period in which the sale is recorded. Snap-on calculates its reserve requirements based on historic warranty loss experience that is periodically adjusted for recent actual experience. The following is an analysis of Snap-on's product warranty reserve for the three and nine month periods ended October 2, 2004, and September 27, 2003:

| | Three Months Ended | | Nine Months Ended | |
|------------------------------|--------------------|-----------------------|--------------------|-----------------------|
| | October 2, 2004 | September 27, 2003 | October 2, 2004 | September 27, 2003 |
| <i>(Amounts in millions)</i> | | | | |
| Warranty reserve: | | | | |
| Beginning of period | \$ 15.4 | \$ 13.2 | \$ 14.0 | \$ 12.7 |
| Additions | 4.1 | 2.8 | 9.1 | 9.2 |
| Usage | (4.2) | (3.0) | (7.8) | (8.9) |
| End of period | \$ 15.3 | \$ 13.0 | \$ 15.3 | \$ 13.0 |

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

On July 23, 2004, Snap-on reached an agreement with the U.S. Department of Justice to resolve the government audit, previously discussed in the company's Annual Report and Form 10-K, relating to two contracts with the U.S. General Services Administration ("GSA"). Snap-on agreed to settle the claims over the interpretation and application of the price reduction and billing provisions of these two contracts for sales from March 1996 through the July 23, 2004, settlement date for \$10 million. Snap-on incurred a pretax charge of \$3.6 million, or \$0.04 per diluted share, in the second quarter of 2004 for costs not previously accrued. Snap-on remitted the \$10 million cash settlement to the U.S. Department of Justice on August 5, 2004.

Snap-on is also involved in various other legal matters that are being defended and handled in the ordinary course of business. Snap-on maintains accruals for such costs that it expects to incur with regard to these matters. Although it is not possible to predict the outcome of these other legal matters, management believes that no existing litigation is likely to have a material adverse effect on Snap-on's consolidated financial position or results of operations.

14. Snap-on's business segments are based on the organization structure used by management for making operating and investment decisions and for assessing performance. Snap-on's reportable business segments include: (i) the Snap-on Dealer Group; (ii) the Commercial and Industrial Group; (iii) the Diagnostics and Information Group; and (iv) Financial Services. 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 providing tools and equipment products and equipment repair services to a broad range of industrial and commercial customers worldwide through direct, distributor and other non-franchised distribution channels. The Diagnostics and Information Group consists of the business operations providing diagnostics equipment, vehicle-service information, business management systems and other solutions for vehicle service to customers in the worldwide vehicle service and repair marketplace. Financial Services is a new business segment, beginning in fiscal 2004, consisting of the business operations of SOC, a consolidated 50%-owned joint venture between Snap-on and CIT, and Snap-on's wholly owned finance subsidiaries in those international markets where Snap-on has dealer operations. Prior year segment disclosures have not been restated to include the Financial Services segment due to the prospective adoption of FIN No. 46R. See Note 2 for further discussion of SOC and the company's adoption of FIN No. 46R.

During the third quarter of 2004, Snap-on realigned certain of its business units within its reportable business segments. The primary realignments included Snap-on's Equipment Solutions (facilitation) business moving from the Commercial and Industrial Group to the Diagnostics and Information Group and Snap-on's EquiServ (equipment services) business moving from the Diagnostics and Information Group to the Commercial and Industrial Group. Prior year financial data by segment has been restated to reflect these reportable business segment realignments. These realignments reflect the company's desire to further simplify its organization and enable greater business unit accountability and control over key portions of the value chain.

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

Snap-on evaluates the performance of its operating segments based on segment revenues and operating earnings. Segment revenues are defined as total revenues, including both external customer revenue and intersegment revenue. Segment operating earnings are defined as revenues less cost of goods sold and operating expenses. Snap-on accounts for intersegment sales and transfers based primarily on standard costs with reasonable mark-ups established between the segments. Snap-on allocates shared services expenses to those segments that utilize the services based on a percentage of either cost of goods sold or segment revenues, as appropriate.

Neither Snap-on nor any of its segments, except Financial Services, depend on any single customer, small group of customers or government for more than 10% of its revenues. As a result of SOC's relationship with CIT, Snap-on's Financial Services business segment depends on CIT for more than 10% of its revenues. See Note 2 for further discussion of SOC.

Financial data by segment was as follows:

| | Three Months Ended | | Nine Months Ended | |
|-----------------------------------|--------------------|-----------------------|--------------------|-----------------------|
| | October 2, 2004 | September 27, 2003 | October 2, 2004 | September 27, 2003 |
| <i>(Amounts in millions)</i> | | | | |
| External revenue: | | | | |
| Snap-on Dealer Group | \$ 255.2 | \$ 244.3 | \$ 796.7 | \$ 776.1 |
| Commercial and Industrial Group | 226.1 | 215.9 | 728.7 | 659.9 |
| Diagnostics and Information Group | 69.6 | 65.4 | 211.9 | 197.9 |
| Financial Services | 17.9 | -- | 59.9 | -- |
| Total external revenue | <u>\$ 568.8</u> | <u>\$ 525.6</u> | <u>\$ 1,797.2</u> | <u>\$ 1,633.9</u> |
| Intersegment revenue: | | | | |
| Snap-on Dealer Group | \$ 5.7 | \$ 5.6 | \$ 17.7 | \$ 17.8 |
| Commercial and Industrial Group | 30.8 | 29.1 | 97.2 | 92.1 |
| Diagnostics and Information Group | 48.4 | 32.7 | 116.2 | 97.5 |
| Financial Services | -- | -- | -- | -- |
| Total intersegment revenue | <u>\$ 84.9</u> | <u>\$ 67.4</u> | <u>\$ 231.1</u> | <u>\$ 207.4</u> |

SNAP-ON INCORPORATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (concluded)
(Unaudited)

| | Three Months Ended | | Nine Months Ended | |
|-----------------------------------|--------------------|-----------------------|--------------------|-----------------------|
| | October 2, 2004 | September 27, 2003 | October 2, 2004 | September 27, 2003 |
| <i>(Amounts in millions)</i> | | | | |
| Total revenue: | | | | |
| Snap-on Dealer Group | \$ 260.9 | \$ 249.9 | \$ 814.4 | \$ 793.9 |
| Commercial and Industrial Group | 256.9 | 245.0 | 825.9 | 752.0 |
| Diagnostics and Information Group | 118.0 | 98.1 | 328.1 | 295.4 |
| Financial Services | 17.9 | -- | 59.9 | -- |
| Total segment revenue | <u>653.7</u> | <u>593.0</u> | <u>2,028.3</u> | <u>1,841.3</u> |
| Intersegment eliminations | <u>(84.9)</u> | <u>(67.4)</u> | <u>(231.1)</u> | <u>(207.4)</u> |

| | | | | |
|-----------------------------------|----------|----------|------------|------------|
| Total consolidated revenue | \$ 568.8 | \$ 525.6 | \$ 1,797.2 | \$ 1,633.9 |
| Operating earnings (loss): | | | | |
| Snap-on Dealer Group | \$ 11.9 | \$ 8.4 | \$ 48.6 | \$ 56.1 |
| Commercial and Industrial Group | (0.9) | 3.9 | (5.9) | 12.6 |
| Diagnostics and Information Group | 18.1 | 8.8 | 33.7 | 14.4 |
| Financial Services | 7.4 | -- | 27.9 | -- |
| Segment operating earnings | 36.5 | 21.1 | 104.3 | 83.1 |
| Net finance income | -- | 10.0 | -- | 31.7 |
| Operating earnings | 36.5 | 31.1 | 104.3 | 114.8 |
| Interest expense | (6.1) | (5.8) | (17.4) | (18.2) |
| Other income (expense) - net | (0.8) | (2.4) | (3.6) | (6.5) |
| Earnings before income taxes | \$ 29.6 | \$ 22.9 | \$ 83.3 | \$ 90.1 |

| | October 2, 2004 | January 3, 2004 |
|---|-----------------|-----------------|
| <i>(Amounts in millions)</i> | | |
| Assets: | | |
| Snap-on Dealer Group | \$ 831.9 | \$ 786.3 |
| Commercial and Industrial Group | 1,039.2 | 1,060.7 |
| Diagnostics and Information Group | 205.7 | 224.5 |
| Financial Services | 155.4 | -- |
| Total from reportable segments | 2,232.2 | 2,071.5 |
| Financial Services | -- | 103.9 |
| Elimination of intersegment receivables | (81.7) | (36.9) |
| Total assets | \$ 2,150.5 | \$ 2,138.5 |

SNAP-ON INCORPORATED
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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

RESULTS OF OPERATIONS

The Financial Accounting Standards Board ("FASB") issued interpretation ("FIN") No. 46R, "Consolidation of Variable Interest Entities (an interpretation of ARB No. 51)" in December 2003, which became effective for Snap-on at the beginning of its 2004 fiscal year. FIN No. 46R provides consolidation guidance regarding the identification of variable interest entities ("VIE") for which control is achieved through means other than through voting rights. FIN No. 46R provides guidance in determining if a business enterprise is the primary beneficiary of a VIE and whether or not that business enterprise should consolidate the VIE for financial reporting purposes.

Based on the company's analysis of FIN No. 46R, the company concluded that Snap-on would consolidate Snap-on Credit LLC ("SOC") as of January 4, 2004, the beginning of Snap-on's 2004 fiscal year. Snap-on previously accounted for SOC, a 50%-owned joint venture with The CIT Group, Inc. ("CIT"), using the equity method. Snap-on has consolidated SOC on a prospective basis and, as such, has not restated previously issued financial statements. The impact of the consolidation of SOC on Snap-on's consolidated balance sheet was not significant. As a result of the consolidation of SOC in fiscal 2004, Snap-on is reporting the results of its finance operations as a new business segment, "Financial Services." Refer to Notes 2 and 14 to the Consolidated Financial Statements for further discussion of SOC and Snap-on's business segments.

Highlights of Snap-on's results of operations for the third quarters of 2004 and 2003 are as follows:

| | Three Months Ended | | | | | |
|------------------------------|--------------------|-------|---------------------|--------|------------------------|------|
| | October 2, 2004* | | September 27, 2003* | | Increase/ (Decrease)** | |
| <i>(Dollars in millions)</i> | | | | | | |
| Net sales | \$ 550.9 | 96.9% | \$ 525.6 | 100.0% | \$ 25.3 | 4.8% |

| | | | | | | |
|------------------------------|---------|--------|---------|--------|--------|--------|
| Financial services revenue | 17.9 | 3.1% | -- | 0.0% | 17.9 | |
| Total revenue | 568.8 | 100.0% | 525.6 | 100.0% | 43.2 | 8.2% |
| Cost of goods sold | 311.5 | 54.8% | 303.8 | 57.8% | 7.7 | 2.5% |
| Operating expenses | 220.8 | 38.8% | 200.7 | 38.2% | 20.1 | 10.0% |
| Net finance income | -- | 0.0% | 10.0 | 1.9% | (10.0) | |
| Operating earnings | 36.5 | 6.4% | 31.1 | 5.9% | 5.4 | 17.4% |
| Interest expense | 6.1 | 1.1% | 5.8 | 1.1% | 0.3 | 5.2% |
| Other (income) expense - net | 0.8 | 0.1% | 2.4 | 0.4% | (1.6) | -66.7% |
| Earnings before income taxes | 29.6 | 5.2% | 22.9 | 4.4% | 6.7 | 29.3% |
| Income taxes | 6.8 | 1.2% | 5.2 | 1.0% | 1.6 | 30.8% |
| Net earnings | \$ 22.8 | 4.0% | \$ 17.7 | 3.4% | \$ 5.1 | 28.8% |

* Percent amount represents corresponding dollar amount as a percent of total revenue.

** Percent amount represents percentage increase or decrease relative to the three months ended September 27, 2003.

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SNAP-ON INCORPORATED
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

Total revenue in the third quarter of 2004 increased \$43.2 million, or 8.2%, over prior-year levels. Of the year-over-year increase in total revenues, \$16.6 million was attributable to currency translation and \$17.9 million resulted from the consolidation of SOC, previously accounted for under the equity method, and Snap-on's wholly owned financial services subsidiaries. Sales also increased \$8.7 million, or 1.7%, year over year on higher sales of handheld diagnostics tools worldwide, increased sales in the domestic and international dealer businesses, and increased sales of equipment worldwide, partially offset by lower sales of industrial tools in North America. In Europe, commercial and industrial tool sales were essentially flat.

Gross profit (defined as net sales less cost of goods sold) increased \$17.6 million, or 130 basis points (100 basis points equals 1.0 percent) to 43.5% of net sales. The impact of higher sales, \$10.7 million in lower year-over-year continuous improvement action costs, \$5.9 million of currency translation and \$2.3 million in cost savings achieved from the closure and relocation of two U.S. hand-tool plants in March 2004 was partially offset by \$7.7 million from lower LIFO benefits and other inventory costs, \$5.7 million of costs associated with production inefficiencies and other manufacturing variances associated with the relocation of production from the two U.S. hand-tool plants and a \$3.5 million impact from increases in steel costs.

Operating expenses in the third quarter of 2004 increased \$20.1 million, or 60 basis points as a percentage of total revenue, from the third quarter of 2003, including \$10.5 million from the consolidation of SOC, previously accounted for under the equity method, and Snap-on's wholly owned financial services subsidiaries. Foreign currency translation contributed \$5.1 million to the year-over-year operating expense increase. Operating expenses during the third quarter of 2004 were impacted by the higher sales, as well as \$1.8 million of higher freight costs, reflecting increased freight rates and smaller, but more frequent, shipments to dealers and \$1.0 million associated with the company's expansion of its distribution system and operating presence in Asia.

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SNAP-ON INCORPORATED
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

Highlights of Snap-on's results of operations for the first nine months of 2004 and 2003 are as follows:

| | Nine Months Ended | | | | | |
|------------------------------|-------------------|--------|---------------------|--------|---------------------------|--------|
| | October 2, 2004* | | September 27, 2003* | | Increase/ (Decrease)** | |
| <i>(Dollars in millions)</i> | | | | | | |
| Net sales | \$ 1,737.3 | 96.7% | \$ 1,633.9 | 100.0% | \$ 103.4 | 6.3% |
| Financial services revenue | 59.9 | 3.3% | -- | 0.0% | 59.9 | |
| Total revenue | 1,797.2 | 100.0% | 1,633.9 | 100.0% | 163.3 | 10.0% |
| Cost of goods sold | 992.7 | 55.2% | 920.6 | 56.3% | 72.1 | 7.8% |
| Operating expenses | 700.2 | 39.0% | 630.2 | 38.6% | 70.0 | 11.1% |
| Net finance income | -- | 0.0% | 31.7 | 1.9% | (31.7) | |
| Operating earnings | 104.3 | 5.8% | 114.8 | 7.0% | (10.5) | - 9.1% |
| Interest expense | 17.4 | 1.0% | 18.2 | 1.1% | (0.8) | - 4.4% |
| Other (income) expense - net | 3.6 | 0.2% | 6.5 | 0.4% | (2.9) | -44.6% |

| | | | | | | |
|------------------------------|---------|------|---------|------|----------|--------|
| Earnings before income taxes | 83.3 | 4.6% | 90.1 | 5.5% | (6.8) | - 7.5% |
| Income taxes | 25.6 | 1.4% | 28.7 | 1.8% | (3.1) | -10.8% |
| Net earnings | \$ 57.7 | 3.2% | \$ 61.4 | 3.8% | \$ (3.7) | - 6.0% |

* Percent amount represents corresponding dollar amount as a percent of total revenue.

** Percent amount represents percentage increase or decrease relative to the nine months ended September 27, 2003.

Total revenue in the first nine months of 2004 increased \$163.3 million, or 10.0%, over prior-year levels. Of the year-over-year increase in total revenues, \$65.3 million was attributable to currency translation and \$59.9 million resulted from the consolidation of SOC, previously accounted for under the equity method, and Snap-on's wholly owned financial services subsidiaries. Sales increased \$38.1 million, or 2.3%, year over year on improved worldwide sales of industrial tools, equipment and diagnostics, as well as higher worldwide sales in the dealer business.

Gross profit increased \$31.3 million, but decreased 80 basis points to 42.9% of net sales. The impact of higher sales and \$24.2 million of currency translation was partially offset by \$12.4 million from lower LIFO benefits and other inventory costs, \$6.9 million of higher expenses from production inefficiencies and other manufacturing variances associated with the relocation of production from the two U.S. hand-tool plants and a \$4.1 million impact from increases in steel costs.

Operating expenses in the first nine months of 2004 increased \$70.0 million, or 40 basis points as a percentage of total revenue, from the first nine months of 2003, including \$32.0 million from the consolidation of SOC, previously accounted for under the equity method, and Snap-on's wholly owned financial services subsidiaries. Foreign currency translation contributed \$19.8 million to the year-over-year operating expense increase. Operating expenses during the first nine months of 2004 also included the impact of higher sales, higher freight expense of \$4.3 million, reflecting increased freight rates and smaller, but more frequent, shipments to dealers, \$3.6 million of costs associated with the settlement of two U.S. General Services Administration ("GSA") contract audits and start-up costs of \$3.5 million associated with the company's expansion of its distribution system and operating presence in Asia.

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SNAP-ON INCORPORATED
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

Segment Results

Snap-on's business segments are based on the organization structure used by management for making operating and investment decisions and for assessing performance. Snap-on's reportable business segments include: (i) the Snap-on Dealer Group; (ii) the Commercial and Industrial Group; (iii) the Diagnostics and Information Group; and (iv) Financial Services. 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 providing tools and equipment products and equipment repair services to a broad range of industrial and commercial customers worldwide through direct, distributor and other non-franchised distribution channels. The Diagnostics and Information Group consists of the business operations providing diagnostics equipment, vehicle-service information, business management systems and other solutions for vehicle service to customers in the worldwide vehicle service and repair marketplace. Financial Services is a new business segment, beginning in fiscal 2004, consisting of the business operations of SOC, a consolidated 50%-owned joint venture between Snap-on and CIT, and Snap-on's wholly owned finance subsidiaries in those international markets where Snap-on has dealer operations. Prior year segment disclosures have not been restated to include the Financial Services segment due to the prospective adoption of FIN No. 46R. See Note 2 to the Consolidated Financial Statements for further discussion of SOC and the company's adoption of FIN No. 46R.

During the third quarter of 2004, Snap-on realigned certain of its business units within its reportable business segments. The primary realignments included Snap-on's Equipment Solutions (facilitation) business moving from the Commercial and Industrial Group to the Diagnostics and Information Group and Snap-on's EquiServ (equipment services) business moving from the Diagnostics and Information Group to the Commercial and Industrial Group. Prior year financial data by segment has been restated to reflect these reportable business segment realignments.

Snap-on evaluates the performance of its operating segments based on segment revenues and operating earnings. Segment revenues are defined as total revenues, including both external customer revenue and intersegment revenue. Segment operating earnings are defined as segment revenues less cost of goods sold and operating expenses. Snap-on accounts for intersegment sales and transfers based primarily on standard costs with reasonable mark-ups established between the segments. Snap-on allocates shared services expenses to those segments that utilize the services based on a percentage of either cost of goods sold or segment revenues, as appropriate.

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SNAP-ON INCORPORATED
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

Snap-on Dealer Group

Three Months Ended

(Dollars in millions)

| | October 2, 2004* | | September 27, 2003* | | Increase/ (Decrease)** | |
|----------------------------|------------------|--------|---------------------|--------|---------------------------|-------|
| External revenue | \$ 255.2 | 97.8% | \$ 244.3 | 97.8% | \$ 10.9 | 4.5% |
| Intersegment revenue | 5.7 | 2.2% | 5.6 | 2.2% | 0.1 | 1.8% |
| Total segment revenue | 260.9 | 100.0% | 249.9 | 100.0% | 11.0 | 4.4% |
| Cost of goods sold | 150.0 | 57.5% | 145.5 | 58.2% | 4.5 | 3.1% |
| Gross profit | 110.9 | 42.5% | 104.4 | 41.8% | 6.5 | 6.2% |
| Operating expenses | 99.0 | 37.9% | 96.0 | 38.4% | 3.0 | 3.1% |
| Segment operating earnings | \$ 11.9 | 4.6% | \$ 8.4 | 3.4% | \$ 3.5 | 41.7% |

* Percent amount represents corresponding dollar amount as a percent of total segment revenue.

** Percent amount represents percentage increase or decrease relative to the three months ended September 27, 2003.

Total segment revenue in the third quarter of 2004 increased \$11.0 million, or 4.4%, over prior-year levels due to a \$6.3 million increase in worldwide sales, primarily due to \$5.4 million from higher price realization, and \$4.7 million of currency translation. In the United States, sales were 1.5% higher year over year, despite a sales decline in the Southeastern United States, believed to be primarily caused by the impact from the widespread hurricane activity during the third quarter. The average number of dealer vans in operation during the third quarter of 2004 was down year over year primarily due to a lower level of new dealer additions in 2004. During the first quarter of 2004, Snap-on tightened eligibility requirements for its franchise dealer expansion and enhancement initiative and the recruitment standards for prospective dealers, aimed at improving the strength of its franchised dealer network. For the quarter, sales by Snap-on U.S. franchised dealers to their customers (as reported to Snap-on by its dealers) continued to grow, increasing at a mid-single-digit rate. In the company's international dealer businesses, third quarter segment revenue increased \$7.9 million year over year, including \$4.8 million from currency translation.

Segment gross profit for the third quarter of 2004 increased \$6.5 million, or 70 basis points as a percentage of total segment revenue, from the same period last year primarily due to the impact of \$11.2 million in lower year-over-year continuous improvement activity costs, \$2.5 million from higher sales, \$2.0 million in cost savings achieved from the closure and relocation of the two U.S. hand-tool plants and \$1.7 million of currency translation, partially offset by \$4.9 million of costs associated with production inefficiencies and other manufacturing variances associated with the relocation of production from the two U.S. hand-tool plants, \$3.4 million from lower LIFO benefits and other inventory costs and a \$3.0 million impact from increases in steel costs. Operating expenses for the Snap-on Dealer Group increased \$3.0 million year over year, but decreased 50 basis points as a percentage of total segment revenue. The \$3.0 million increase in operating expenses primarily reflects \$1.7 million in higher freight costs, reflecting increased freight rates and smaller, but more frequent, shipments to dealers and \$1.4 million of currency translation, partially offset by a \$2.1 million reduction in bad debt expense. As a result of these factors, segment operating earnings in the third quarter of 2004 increased \$3.5 million, or 120 basis points as a percentage of total segment revenue, as compared to the third quarter of 2003.

**SNAP-ON INCORPORATED
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)**

Nine Months Ended

(Dollars in millions)

| | October 2, 2004* | | September 27, 2003* | | Increase/ (Decrease)** | |
|----------------------------|------------------|--------|---------------------|--------|---------------------------|--------|
| External revenue | \$ 796.7 | 97.8% | \$ 776.1 | 97.8% | \$ 20.6 | 2.7% |
| Intersegment revenue | 17.7 | 2.2% | 17.8 | 2.2% | (0.1) | - 0.6% |
| Total segment revenue | 814.4 | 100.0% | 793.9 | 100.0% | 20.5 | 2.6% |
| Cost of goods sold | 457.8 | 56.2% | 433.8 | 54.6% | 24.0 | 5.5% |
| Gross profit | 356.6 | 43.8% | 360.1 | 45.4% | (3.5) | - 1.0% |
| Operating expenses | 308.0 | 37.8% | 304.0 | 38.3% | 4.0 | 1.3% |
| Segment operating earnings | \$ 48.6 | 6.0% | \$ 56.1 | 7.1% | \$ (7.5) | -13.4% |

* Percent amount represents corresponding dollar amount as a percent of total segment revenue.

** Percent amount represents percentage increase or decrease relative to the nine months ended September 27, 2003.

Total segment revenue for the first nine months of 2004 increased \$20.5 million, or 2.6%, over prior-year levels due to \$17.9 million of currency translation and a \$2.6 million increase in worldwide sales. In the United States, sales were 0.3% lower year over year. The average number of dealer vans in operation during the first nine months of 2004 was down year over year primarily due to a lower level of new dealer additions in 2004. During the first quarter of 2004, Snap-on tightened eligibility requirements for its franchise dealer expansion and enhancement initiative and the recruitment standards for prospective dealers, aimed at improving the strength of its franchised dealer network. For the first nine months of 2004, sales by Snap-on U.S. franchised dealers to their

customers (as reported to Snap-on by its dealers) continued to grow, increasing at a mid-single-digit rate. In the company's international dealer businesses, segment revenue for the first nine months of 2004 increased \$21.7 million year over year, including \$19.3 million from currency translation.

Segment gross profit for the first nine months of 2004 decreased \$3.5 million, or 160 basis points as a percentage of total segment revenue, from the same period last year, primarily due to \$7.8 million of costs associated with production inefficiencies and other manufacturing variances associated with the relocation of production from the two U.S. hand-tool plants, \$3.6 million of lower LIFO benefits and other inventory costs and a \$3.5 million impact from increases in steel costs. These higher costs were partially offset by \$6.8 million of currency translation and \$5.0 million in lower year-over-year continuous improvement activity costs. Operating expenses for the Snap-on Dealer Group increased \$4.0 million year over year, but decreased 50 basis points as a percentage of total segment revenue. The \$4.0 million increase in operating expenses primarily reflects \$5.4 million of currency translation and \$4.3 million of higher freight expense, reflecting increased freight rates and smaller, but more frequent, shipments to dealers, partially offset by \$5.5 million of lower bad debt expense and lower year-over-year continuous improvement costs of \$1.6 million. As a result of these factors, segment operating earnings in the first nine months of 2004 decreased \$7.5 million, or 110 basis points as a percentage of total segment revenue, as compared to the first nine months of 2003.

**SNAP-ON INCORPORATED
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)**

Commercial and Industrial Group

| | Three Months Ended | | | | | |
|--|--------------------|---------------|---------------------|---------------|---------------------------|----------------|
| | October 2, 2004* | | September 27, 2003* | | Increase/ (Decrease)** | |
| <i>(Dollars in millions)</i> | | | | | | |
| External revenue | \$ 226.1 | 88.0% | \$ 215.9 | 88.1% | \$ 10.2 | 4.7% |
| Intersegment revenue | 30.8 | 12.0% | 29.1 | 11.9% | 1.7 | 5.8% |
| Total segment revenue | 256.9 | 100.0% | 245.0 | 100.0% | 11.9 | 4.9% |
| Cost of goods sold | 173.9 | 67.7% | 163.2 | 66.6% | 10.7 | 6.6% |
| Gross profit | 83.0 | 32.3% | 81.8 | 33.4% | 1.2 | 1.5% |
| Operating expenses | 83.9 | 32.7% | 77.9 | 31.8% | 6.0 | 7.7% |
| Segment operating (loss) earnings | \$ (0.9) | - 0.4% | \$ 3.9 | 1.6% | \$ (4.8) | -123.1% |

* Percent amount represents corresponding dollar amount as a percent of total segment revenue.

** Percent amount represents percentage increase or decrease relative to the three months ended September 27, 2003.

Total segment revenue in the third quarter of 2004 increased \$11.9 million, or 4.9%, over prior-year levels due to \$10.0 million of currency translation and \$1.9 million of improved sales. Higher sales of vehicle-service equipment worldwide and a slight increase in sales of tools in Europe and Asia were partially offset by a decline in sales of hand and power tools used in industrial applications in North America.

Segment gross profit for the third quarter of 2004 increased \$1.2 million, but decreased 110 basis points as a percentage of total segment revenue. Benefits realized from higher sales and \$3.4 million of currency translation were partially offset by a \$2.8 million year-over-year impact from lower LIFO benefits and other inventory costs, \$1.1 million of increased freight costs, reflecting increased freight rates and \$1.0 million costs associated with production inefficiencies and other manufacturing variances associated with the relocation of production from the two U.S. hand-tool plants. Operating expenses for the Commercial and Industrial Group increased \$6.0 million, or 90 basis points as a percentage of total segment revenue. The increase in operating expenses reflects the impact of higher sales, \$3.0 million of currency translation, \$1.7 million in higher bad debt expense and \$1.0 million of start-up costs associated with the company's investment to expand its distribution and operating presence in Asia, partially offset by a \$1.7 million gain from a facility sale. Operating expenses were also impacted by \$1.0 million in higher year-over-year continuous improvement actions, including costs for the consolidation of three European manufacturing facilities. As a result, segment operating earnings in the third quarter of 2004 decreased \$4.8 million as compared to the third quarter of 2003.

**SNAP-ON INCORPORATED
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)**

Nine Months Ended

| | October 2, 2004* | | September 27, 2003* | | Increase/ (Decrease)** | |
|--------------------------------------|------------------|--------|---------------------|--------|---------------------------|---------|
| <i>(Dollars in millions)</i> | | | | | | |
| External revenue | \$ 728.7 | 88.2% | \$ 659.9 | 87.8% | \$ 68.8 | 10.4% |
| Intersegment revenue | 97.2 | 11.8% | 92.1 | 12.2% | 5.1 | 5.5% |
| Total segment revenue | 825.9 | 100.0% | 752.0 | 100.0% | 73.9 | 9.8% |
| Cost of goods sold | 555.0 | 67.2% | 496.3 | 66.0% | 58.7 | 11.8% |
| Gross profit | 270.9 | 32.8% | 255.7 | 34.0% | 15.2 | 5.9% |
| Operating expenses | 276.8 | 33.5% | 243.1 | 32.3% | 33.7 | 13.9% |
| Segment operating (loss) earnings | \$ (5.9) | - 0.7% | \$ 12.6 | 1.7% | \$ (18.5) | -146.8% |

* Percent amount represents corresponding dollar amount as a percent of total segment revenue.

** Percent amount represents percentage increase or decrease relative to the nine months ended September 27, 2003.

Total segment revenue for the first nine months of 2004 increased \$73.9 million, or 9.8%, over prior-year levels due to \$41.8 million of currency translation and \$32.1 million in higher sales. Demand for tools in the first nine months of 2004 improved in both North America and Europe despite a decline in sales of hand and power tools used in industrial applications in North America in the third quarter, with increased sales of hand and power tools used in industrial and commercial applications. In addition, higher sales of vehicle-service equipment were achieved in both North America, through the company's Technical Automotive Group ("TAG") distribution channel, and in Europe.

Segment gross profit for the first nine months of 2004 increased \$15.2 million, but decreased 120 basis points as a percentage of total segment revenue. Benefits realized from higher sales and \$14.9 million of currency translation were partially offset by \$8.5 million of lower LIFO benefits and other inventory costs, \$4.2 million of higher year-over-year continuous improvement activity costs, \$2.0 million of increased freight costs, reflecting increased freight rates and \$1.6 million in higher expenses from production inefficiencies and other manufacturing variances associated with the relocation of production from the two U.S. hand-tool plants. Operating expenses for the Commercial and Industrial Group increased \$33.7 million, or 120 basis points as a percentage of total segment revenue. The increase in operating expenses reflects the impact of higher sales, \$12.1 million of currency translation, \$4.0 million in higher bad debt expense, \$3.6 million of costs associated with the GSA contract audits settlement and a \$1.9 million year-over-year increase in continuous improvement costs, partially offset by a \$1.7 million gain from the sale of a facility. Operating expenses were also impacted by \$3.5 million of start-up costs associated with the company's investment to expand its distribution and operating presence in Asia. As a result, segment operating earnings in the first nine months of 2004 decreased \$18.5 million as compared to the first nine months of 2003.

SNAP-ON INCORPORATED
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

Diagnostics and Information Group

| | Three Months Ended | | | | | |
|------------------------------|--------------------|--------|---------------------|--------|---------------------------|--------|
| | October 2, 2004* | | September 27, 2003* | | Increase/ (Decrease)** | |
| <i>(Dollars in millions)</i> | | | | | | |
| External revenue | \$ 69.6 | 59.0% | \$ 65.4 | 66.7% | \$ 4.2 | 6.4% |
| Intersegment revenue | 48.4 | 41.0% | 32.7 | 33.3% | 15.7 | 48.0% |
| Total segment revenue | 118.0 | 100.0% | 98.1 | 100.0% | 19.9 | 20.3% |
| Cost of goods sold | 72.4 | 61.4% | 62.6 | 63.8% | 9.8 | 15.7% |
| Gross profit | 45.6 | 38.6% | 35.5 | 36.2% | 10.1 | 28.5% |
| Operating expenses | 27.5 | 23.3% | 26.7 | 27.2% | 0.8 | 3.0% |
| Segment operating earnings | \$ 18.1 | 15.3% | \$ 8.8 | 9.0% | \$ 9.3 | 105.7% |

* Percent amount represents corresponding dollar amount as a percent of total segment revenue.

** Percent amount represents percentage increase or decrease relative to the three months ended September 27, 2003.

Total segment revenue in the third quarter of 2004 increased \$19.9 million, or 20.3%, over prior-year levels primarily due to \$17.7 million in higher sales, primarily attributable to growth in Snap-on® handheld diagnostics, in particular the launch of the Snap-on® SOLUS™ Scanner™ diagnostics tool through the U.S. dealer business. Currency translation of \$2.2 million also contributed to the year-over-year increase in segment revenue.

Segment gross profit for the third quarter of 2004 increased \$10.1 million, or 240 basis points as a percentage of total segment revenue, from the same period

last year, largely reflecting the growth in sales and benefits from prior continuous improvement activities. Operating expenses for the Diagnostics and Information Group were essentially flat year over year, but improved 390 basis points as a percentage of total segment revenue, primarily reflecting the impact of higher sales. As a result, segment operating earnings in the third quarter of 2004 increased \$9.3 million, or 630 basis points as a percentage of total segment revenue, as compared to the third quarter of 2003.

SNAP-ON INCORPORATED
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

| | Nine Months Ended | | | | | |
|-----------------------------------|-------------------|---------------|---------------------|---------------|---------------------------|---------------|
| | October 2, 2004* | | September 27, 2003* | | Increase/ (Decrease)** | |
| <i>(Dollars in millions)</i> | | | | | | |
| External revenue | \$ 211.9 | 64.6% | \$ 197.9 | 67.0% | \$ 14.0 | 7.1% |
| Intersegment revenue | 116.2 | 35.4% | 97.5 | 33.0% | 18.7 | 19.2% |
| Total segment revenue | 328.1 | 100.0% | 295.4 | 100.0% | 32.7 | 11.1% |
| Cost of goods sold | 210.9 | 64.3% | 198.0 | 67.0% | 12.9 | 6.5% |
| Gross profit | 117.2 | 35.7% | 97.4 | 33.0% | 19.8 | 20.3% |
| Operating expenses | 83.5 | 25.4% | 83.0 | 28.1% | 0.5 | 0.6% |
| Segment operating earnings | \$ 33.7 | 10.3% | \$ 14.4 | 4.9% | \$ 19.3 | 134.0% |

* Percent amount represents corresponding dollar amount as a percent of total segment revenue.

** Percent amount represents percentage increase or decrease relative to the nine months ended September 27, 2003.

Total segment revenue for the first nine months of 2004 increased \$32.7 million, or 11.1%, over prior-year levels primarily due to \$25.7 million in higher sales, principally sales of handheld diagnostics, as well as \$7.0 million of currency translation.

Segment gross profit for the first nine months of 2004 increased \$19.8 million, or 270 basis points as a percentage of total segment revenue, from the same period last year largely reflecting the growth in sales of handheld diagnostics and information products, \$4.3 million of benefits from prior continuous improvement activities and \$2.5 million of currency translation. Operating expenses for the Diagnostics and Information Group were essentially flat, but decreased 270 basis points as a percentage of total segment revenue, reflecting \$2.3 million of currency translation partially offset by \$1.1 million of lower bad debt expense. As a result, segment operating earnings in the first nine months of 2004 increased \$19.3 million, or 540 basis points as a percentage of total segment revenue, as compared to the first nine months of 2003.

Financial Services

Segment operating results for Financial Services for the three and nine months ended October 2, 2004, are as follows:

| | Three Months | Nine Months |
|-----------------------------------|------------------------------|----------------|
| | <i>(Dollars in millions)</i> | |
| External revenue | \$ 17.9 | \$ 59.9 |
| Intersegment revenue | -- | -- |
| Total segment revenue | 17.9 | 59.9 |
| Operating expenses | 10.5 | 32.0 |
| Segment operating earnings | \$ 7.4 | \$ 27.9 |

Segment operating earnings for the third quarter and the first nine months of 2004 were \$7.4 million and \$27.9 million. Net finance income was \$10.0 million and \$31.7 million in the third quarter and first nine months of 2003. Operating earnings for the third quarter and the first nine months of 2004 decreased year over year primarily due to lower loan originations and higher market interest rates. Snap-on believes the decline in loan originations is primarily due to sales mix in the Snap-on Dealer Group and a reduced level of dealer borrowings resulting from the strengthening fiscal health of dealers, combined with the introduction of the extended trial franchise program.

Other

Interest expense was \$6.1 million in the third quarter of 2004, up \$0.3 million from \$5.8 million in the third quarter of 2003. For the first nine months of 2004, interest expense of \$17.4 million was down \$0.8 million from \$18.2 million in the prior year. The year-over-year increase in the third quarter primarily reflects higher average interest rates, partially offset by lower average debt levels. For the first nine months of 2004, the year-over-year decline primarily reflects the impact of lower average debt levels due to cash flow from operating activities, partially offset by higher average interest rates.

Other income (expense) – net was an expense of \$0.8 million for the third quarter of 2004, as compared to an expense of \$2.4 million in the comparable prior-year period. This line item includes the impact of all non-operating items such as interest income, minority interest, hedging and currency exchange rate transaction gains and losses, and other miscellaneous non-operating items. Other expense decreased \$1.6 million in the third quarter of 2004 over the prior-year level largely due to lower foreign exchange losses. Other income (expense) – net was an expense of \$3.6 million for the first nine months of 2004, as compared to an expense of \$6.5 million in the comparable prior-year period. Other expense decreased \$2.9 million in the first nine months of 2004 over the prior-year level primarily due to \$4.2 million of lower foreign exchange losses, partially offset by a \$1.1 million increase in minority interests.

Snap-on's effective tax rate of 23.0% and 22.7% for the third quarter of 2004 and 2003 both benefited from the conclusion of prior-year's tax matters. For the first nine months of 2004 and 2003, Snap-on's overall effective tax rate was 30.7% and 31.9%. Snap-on anticipates that its effective tax rate for the fourth quarter of 2004 will approximate 35%.

Exit or Disposal Activities

For a discussion of Snap-on's exit and disposal activities, refer to Note 5 of the Consolidated Financial Statements.

FINANCIAL CONDITION

Snap-on's growth has historically been funded by a combination of cash provided by operating activities and debt financing. Snap-on believes that its cash from operations, coupled with its sources of borrowings, are sufficient to fund its anticipated requirements for working capital, capital expenditures and restructuring and continuous improvement activities, acquisitions, common stock repurchases and dividend payments. Due to Snap-on's credit rating over the years, external funds have been available at a reasonable cost. As of the date of the filing of this Form 10-Q, Snap-on's long-term debt and commercial paper was rated A2 and P-1 by Moody's Investors Service and A and A-1 by Standard & Poor's. Snap-on believes that the strength of its balance sheet affords the company the financial flexibility to respond to both internal growth opportunities and those available through acquisitions.

SNAP-ON INCORPORATED MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

The following discussion focuses on information included in the accompanying Consolidated Balance Sheets.

Snap-on has been focused on improving asset utilization by making more effective use of its investment in certain working capital items. Termed "working investment," the company uses this measure to assess management's operating performance and effectiveness relative to those components of working capital that are more directly impacted by operational decisions. As of October 2, 2004, working investment (defined as accounts receivable – net of allowances plus inventories less accounts payable) of \$672.0 million was down \$36.2 million from the \$708.2 million as of year-end 2003. The following represents the company's working investment position as of October 2, 2004, and January 3, 2004.

| <i>(Amounts in millions)</i> | October 2, 2004 | January 3, 2004 |
|---|--------------------|--------------------|
| Accounts receivable - net of allowances | \$ 527.5 | \$ 546.8 |
| Total inventories | 345.3 | 351.1 |
| Accounts payable | (200.8) | (189.7) |
| Working investment | <u>\$ 672.0</u> | <u>\$ 708.2</u> |

Accounts receivable at the end of the third quarter of 2004 was \$527.5 million, down \$19.3 million from year-end 2003 levels, including a decrease of \$1.3 million from currency translation. At the end of the third quarter of 2004, days sales outstanding improved to 86 days from 88 days at January 3, 2004.

Inventories totaled \$345.3 million at the end of the third quarter of 2004, down \$5.8 million from year-end 2003 levels, including a decrease of \$1.5 million from currency translation. Inventories accounted for using the first-in, first-out (FIFO) method as of October 2, 2004, and January 3, 2004, approximated 63% and 69% of total inventories, respectively. All other inventories are generally accounted for using the last-in, first-out (LIFO) cost method. The company's LIFO reserve declined from \$81.8 million at January 3, 2004, to \$80.7 million at October 2, 2004. Inventory turns (defined as the current quarter's cost of goods sold annualized, divided by the average of the last four quarter-end's inventory balances) at October 2, 2004, were 3.6 turns, as compared to 3.5 turns at year-end 2003.

Total notes payable and long-term debt was \$331.8 million at the end of the third quarter of 2004, as compared to \$333.2 million at year-end 2003. Cash and cash equivalents were \$153.3 million as of October 2, 2004, and \$96.1 million at the end of fiscal 2003. The increase in cash and cash equivalents from year-end levels was primarily due to cash flows from operating activities.

Borrowings under commercial paper programs totaled \$25.0 million at both the end of the third quarter of 2004 and at year-end 2003. On July 27, 2004, Snap-on entered into a five-year \$400 million multi-currency revolving credit facility that will terminate on July 27, 2009. This \$400 million facility replaced the \$408 million of multi-currency revolving credit facilities that served to back the company's commercial paper programs, including a \$200 million, 364-day revolving credit facility that terminated on July 30, 2004, and a five-year \$208 million revolving credit facility that would have terminated on August 20, 2005. The \$400 million revolving credit facility's financial covenant requires that Snap-on maintain a ratio of total debt to the sum of total

debt plus shareholders' equity of not greater than 0.60 to 1.00. As of the date of this document, Snap-on believes it is in compliance with all covenants of this revolving credit facility.

SNAP-ON INCORPORATED
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

At October 2, 2004, Snap-on also had \$20 million of unused committed bank lines of credit, of which \$10 million expires on July 31, 2005, and \$10 million expires on August 31, 2005.

The following discussion focuses on information included in the accompanying Consolidated Statements of Cash Flows.

Cash flow provided from operating activities was \$134.2 million in the first nine months of 2004, including a \$10.7 million net income tax refund, primarily resulting from a \$78.2 million voluntary U.S. pension contribution made in the fourth quarter of 2003. In the third quarter of 2004, Snap-on made a \$10.0 million payment to the U.S. Department of Justice pursuant to an agreement to resolve a government audit relating to two contracts with the GSA. Cash flow from operating activities in 2003 was \$140.0 million, including a \$14.0 million pension plan contribution. The consolidation of SOC as of January 4, 2004, did not have a material impact on cash flow.

Capital expenditures of \$25.9 million in the first nine months of 2004 were up from the \$18.7 million expended in the first nine months of 2003. Investments primarily included new product-related, quality and cost reduction capital investments, as well as ongoing replacements of manufacturing and distribution facilities and equipment. Snap-on anticipates fiscal 2004 capital expenditures will be in the range of \$35 million to \$40 million, of which approximately two-thirds is expected to be used for investments relating to new products, quality enhancement or cost reduction. Capital expenditures for the full year of fiscal 2003 totaled \$29.4 million.

In the second quarter of 2004, Snap-on sold, at book value, its 70% interest in Texo s.r.l., a European manufacturer and developer of vehicle lifts, for approximately \$0.6 million.

Snap-on has undertaken stock repurchases from time to time to offset 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 the company believes market conditions are favorable. Snap-on repurchased 900,000 shares of common stock for \$29.4 million under its previously announced share repurchase programs during the first nine months of 2004. As of the end of the third quarter of 2004, Snap-on has remaining availability to repurchase up to an additional \$125.1 million in common stock pursuant to the Board of Directors' authorizations. The purchase of Snap-on common stock is at the company's discretion, subject to prevailing financial and market conditions. The company intends to continue to buy, and has bought, additional shares in the fourth quarter of 2004, such that full year repurchases have exceeded its fiscal 2004 repurchase target of 1,000,000 shares that was publicly announced by press release dated January 21, 2004.

SNAP-ON INCORPORATED
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

Snap-on has paid consecutive quarterly cash dividends, without interruption or decline, since 1939. Cash dividends paid totaled \$43.4 million for the first nine months of 2004, as compared to \$43.6 million in the first nine months of 2003.

OTHER MATTERS

Government Contract Matters:

On July 23, 2004, Snap-on reached an agreement with the U.S. Department of Justice to resolve the government audit, previously discussed in the company's Annual Report and Form 10-K, relating to two contracts with the U.S. General Services Administration ("GSA"). Snap-on agreed to settle the claims over the interpretation and application of the price reduction and billing provisions of these two contracts for sales from March 1996 through the July 23, 2004, settlement date for \$10 million. Snap-on incurred a pretax charge of \$3.6 million, or \$0.04 per diluted share in the second quarter of 2004 for costs not previously accrued. Snap-on remitted the \$10 million cash settlement to the U.S. Department of Justice on August 5, 2004.

Employees:

On August 27, 2004, Snap-on and approximately 70 employees at the company's Natick, Massachusetts, facility ratified a new collective bargaining agreement. The terms of the agreement were not materially different from the previous agreement.

Approximately 125 employees at the company's Johnson City, Tennessee, facility are covered under a collective bargaining agreement that will expire in December 2004. At this time the company cannot predict the outcome of these negotiations.

American Jobs Creation Act of 2004:

On October 22, 2004, the American Jobs Creation Act of 2004 (the "Act") was signed into law. The company is currently assessing the impact the Act will have on its future effective tax rates and cash tax payments.

CRITICAL ACCOUNTING POLICIES

Snap-on's disclosures of its critical accounting policies, which are contained in its Annual Report on Form 10-K for the year ended January 3, 2004, have not materially change since that report was filed.

SNAP-ON INCORPORATED
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS (concluded)

OUTLOOK

Snap-on expects full-year 2004 reported earnings to be in the range of \$1.35 to \$1.45 per diluted share, which is anticipated to include \$0.26 per share for continuous improvement costs.

Safe Harbor: Statements in this document that are not historical facts, including statements (i) that include the words "expects," "targets," "plans," "estimates," "believes," "anticipates," or similar words that reference Snap-on or its management; (ii) specifically identified as forward-looking; or (iii) describing Snap-on's or management's future outlook, plans, estimates, 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 any forward-looking statements included in this document that are based upon assumptions and estimates were developed by management in good faith and that management believes such assumptions and estimates to be reasonable as of the date of this document. However, these statements are subject to risks, uncertainties or other factors, including some events that may not be within the control of the company, that could cause (and in some cases have caused) actual results to differ materially from those described in any such statement.

These risks and uncertainties include, without limit, uncertainties related to estimates, assumptions and projections generally, and the timing and progress with which Snap-on can continue to achieve savings from cost reduction, continuous improvement and other Operational Fitness initiatives; make improvements in supply chain efficiencies; and make effective improvements in machine maintenance, plant productivity and manufacturing line set-up and change-over practices; as well as uncertainties related to the company's capability to retain and attract dealers, effectively implement new programs, capture new business, introduce successful new products and other Profitable Growth initiatives; and its ability to weather disruption arising from planned facility closures, or other labor interruptions. These risks also include uncertainties related to Snap-on's ability to withstand external negative factors including terrorist disruptions on business; potential changes in trade, monetary and fiscal policies, regulatory reporting requirements, laws and regulations, or other activities of governments or their agencies, including military actions and such aftermath that might occur; the impact on approximately ten percent of the dealer network and on the company's sales from hurricane activity in the Southern and Eastern coastal regions of the United States and the related impact of decreased sales on the operating income from financial services; and the absence of significant changes in the current competitive environment, inflation, interest rates, legal proceedings, and energy and raw material supply and pricing (including steel), supplier disruptions, currency fluctuations, or the material worsening of economic and political situations around the world, particularly in North America and Europe. In addition, investors should be aware that generally accepted accounting principles prescribe when a company should record an allowance for particular risks, including litigation exposures. Accordingly, results for a given reporting period could be significantly affected if and when an allowance is established for a major contingency. Reported results, therefore, may appear to be volatile in certain accounting periods.

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 or regarded as a representation by the company or its management that the projected results will be achieved. Snap-on disclaims any responsibility to update any forward-looking statement provided in this document.

Item 3: Quantitative and Qualitative Disclosures About Market Risk

Market, Credit and Economic Risks

Market risk is the potential economic loss that may result from adverse changes in the fair value of financial instruments. Snap-on is exposed to market risk from changes in both foreign currency exchange rates and interest rates. Snap-on monitors its exposure to these risks and attempts to manage the underlying economic exposures through the use of financial instruments such as forward exchange contracts and interest rate swap agreements. Snap-on does not use derivative instruments for speculative or trading purposes. Snap-on's broad-based business activities help to reduce the impact that volatility in any particular area or related areas may have on its operating earnings as a whole. Snap-on's management takes an active role in the risk management process and has developed policies and procedures that require specific administrative and business functions to assist in the identification, assessment and control of various risks.

FOREIGN CURRENCY RISK MANAGEMENT: Snap-on has significant international operations and is subject to certain risks inherent with foreign operations that include fluctuations in currency exchange rates and restrictions on movement of funds. Foreign exchange risk exists to the extent that Snap-on has payment obligations or receipts denominated in currencies other than the functional currency. To manage these exposures, Snap-on identifies naturally offsetting positions and then purchases hedging instruments in an attempt to protect the residual net exposures. Snap-on's financial position and results of operations have not been materially affected by such events to date. For additional information, see Note 7 to the Consolidated Financial Statements.

INTEREST RATE RISK MANAGEMENT: Snap-on's interest rate risk management policies are designed to reduce the potential volatility of earnings that could arise from changes in interest rates. Through the use of interest rate swaps, Snap-on aims to stabilize funding costs by managing the exposure created by the differing maturities and interest rate structures of Snap-on's assets and liabilities. For additional information, see Note 7 to the Consolidated Financial Statements.

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/covariance 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 October 2, 2004, was \$0.7 million on interest rate-sensitive financial instruments and \$0.8 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.

CREDIT RISK: Credit risk is the possibility of loss from a customer's failure to make payments according to contract terms. Prior to granting credit, each customer is evaluated, taking into consideration the borrower's financial condition, collateral, debt-servicing capacity, past payment experience, credit bureau information, and other financial and qualitative factors that may affect the borrower's ability to repay. Specific credit reviews and standard industry credit scoring models are used in performing this evaluation. Loans that have been granted are typically monitored through an asset-quality-review process that closely monitors past due accounts and initiates collection actions when appropriate. In addition to its direct credit risk exposure, Snap-on also has credit risk exposure for certain SOC loan originations with recourse provisions against Snap-on. At October 2, 2004, \$9.5 million of loans originated by SOC have a recourse provision to Snap-on if the loans become more than 90 days past due. For additional information on SOC, see Note 2.

ECONOMIC RISK: Economic risk is the possibility of loss resulting from economic instability in certain areas of the world. Snap-on continually monitors its exposure in these markets. Snap-on's Commercial and Industrial Group includes a hand-tool manufacturing facility in Argentina with net assets of approximately \$10.6 million as of October 2, 2004. Due to economic instability in Argentina, Snap-on resized its operations there in 2001 and will continue to assess Argentina's economic situation to determine if any future actions or impairment write-downs are warranted.

As a result of the above market, credit and economic risks, net income and revenues in any particular period may not be representative of full-year results and may vary significantly from year to year and from quarter to quarter. Inflation has not had a significant impact on the company.

Item 4: Controls and Procedures

Quarterly Controls Evaluation and Related CEO and CFO Certifications

Snap-on conducted an evaluation of the effectiveness of the design and operation of our "disclosure controls and procedures" ("Disclosure Controls") as of the end of the period covered by this Quarterly Report. The controls evaluation was done under the supervision and with the participation of management, including the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO").

Attached as exhibits to this Quarterly Report are certifications of the CEO and the CFO, which are required in accordance with Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). This Controls and Procedures section includes information concerning the controls evaluation referred to in the certifications and it should be read in conjunction with the certifications for a more complete understanding of the topics presented.

Definition of Disclosure Controls

Disclosure Controls are controls and other procedures designed to reasonably assure that information required to be disclosed in reports filed or submitted under the Exchange Act, such as this Quarterly Report, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure Controls are also designed to reasonably assure that such information is accumulated and communicated to management, including the CEO and CFO, as appropriate to allow timely decisions regarding required disclosure. Disclosure Controls include components of internal control over financial reporting, which consists of control processes designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with U.S. generally accepted accounting principles. To the extent that components of internal control over financial reporting are included within the Disclosure Controls, they are included in the scope of the company's quarterly evaluation of Disclosure Controls.

Limitations on the Effectiveness of Controls

The company's management, including the CEO and CFO, does not expect that the company's Disclosure Controls or its internal control over financial reporting will prevent all error or fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Further, the design of a control system must consider the benefits of the controls in relation to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Scope of the Controls Evaluation

The evaluation of the company's Disclosure Controls included a review of the controls' objectives and design, the company's implementation of the controls and the effect of the controls on the information generated for use in this Quarterly Report. In the course of the controls evaluation, management sought to identify data errors, controls problems or acts of fraud and confirm that appropriate corrective action, including process improvements, were being

undertaken. This type of evaluation is performed on a quarterly basis so that the conclusions of management, including the CEO and CFO, concerning controls effectiveness can be reported in the company's Quarterly Reports on Form 10-Q and to supplement the company's disclosures made in its Annual Report on Form 10-K. Many of the components of the Disclosure Controls are also evaluated on an ongoing basis by the company's Internal Audit Department and by other personnel in the Finance organization, as well as by independent auditors who evaluate them in connection with determining their auditing procedures related to their report on Snap-on's annual financial statements and not to provide assurance on controls. The overall goals of these various evaluation activities are to monitor Disclosure Controls, and to modify them as necessary; management's intent is to maintain the Disclosure Controls as dynamic systems that change as conditions warrant.

Among other matters, management also considered whether its evaluation identified any "significant deficiencies" or "material weaknesses" in internal control over financial reporting, and whether the company had identified any acts of fraud involving personnel with a significant role in internal control over financial reporting. This information was important both for the controls evaluation generally, and because item 5 in the certifications of the CEO and CFO requires that the CEO and CFO disclose that information to the company's Audit Committee of the Board of Directors and to the company's independent auditors. In the professional auditing literature, "significant deficiencies" are referred to as "reportable conditions," which are deficiencies in the design or operation of controls that could adversely affect the company's ability to record, process, summarize and report financial data in the financial statements. Auditing literature defines "material weakness" as a particularly serious reportable condition where the internal control does not reduce to a relatively low level the risk that misstatements caused by error or fraud may occur in amounts that would be material in relation to the financial statements and the risk that such misstatements would not be detected within a timely period by employees in the normal course of performing their assigned functions. Management also sought to address other controls matters in the controls evaluation, and in each case if a problem was identified, management considered what revision, improvement and/or correction to make in accordance with its ongoing procedures.

Conclusions

Based upon the controls evaluation, Snap-on's CEO and CFO have concluded that, subject to the limitations noted above, as of the end of the period covered by this Quarterly Report, that the company's Disclosure Controls were effective to provide reasonable assurance that material information relating to Snap-on and its consolidated subsidiaries is made known to management, including the CEO and CFO.

There were no changes in internal control over financial reporting that occurred during the quarter ended October 2, 2004, that have materially affected, or are reasonably likely to materially affect, Snap-on's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Please refer to Note 13 of the Consolidated Financial Statements for more information regarding legal proceedings.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following chart discloses information regarding the shares of Snap-on's common stock repurchased by the company during the third quarter of fiscal 2004, all of which were purchased pursuant to Board of Directors' authorizations that the company has publicly announced. Snap-on has undertaken stock repurchases from time to time to offset 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 the company believes market conditions are favorable. The repurchase of Snap-on common stock is at the company's discretion, subject to prevailing financial and market conditions.

Issuer Purchases of Equity Securities

| Period | Total Number of Shares Purchased | Average Price Paid Per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | Approximate Value of Shares that May Yet Be Purchased Under the Plans(1) |
|------------------------------------|----------------------------------|------------------------------|--|--|
| July 4, 2004 to July 31, 2004 | -- | N/A | -- | \$128.3 million |
| August 1, 2004 to August 28, 2004 | 150,000 | \$31.92 | 150,000 | \$124.2 million |
| August 29, 2004 to October 2, 2004 | -- | N/A | -- | \$125.1 million |
| Total/Average | 150,000 | \$31.92 | 150,000 | N/A |

(1) Subject to further adjustment pursuant to the 1996 Authorization described below, as of October 2, 2004, the approximate value of shares that may yet be purchased pursuant to the three outstanding Board of Directors' authorizations discussed below is \$125.1 million.

- In its Annual Report on Form 10-K for the fiscal year ended December 28, 1996, the company disclosed that the company's Board authorized the company to repurchase shares of the company's common stock from time to time in the open market or in privately negotiated transactions (the "1996 Authorization"). The 1996 Authorization allows the repurchase of up to the number of shares issued or delivered from treasury from time to time under the various plans the company has in place that call for the issuance of the company's common stock. Because the number of shares that are purchased pursuant to the 1996 Authorization will change from time to time as (i) the company issues shares under its various plans and (ii) shares are repurchased pursuant to this authorization, the number of shares authorized to be repurchased will vary from time to time. The 1996 Authorization will expire when terminated by the company's Board. When calculating the approximate value of shares that the company may yet purchase under the 1996 Authorization, the company assumed a price of \$32.11, \$32.04 and \$28.72 per share of common stock as of the end of the fiscal 2004 months ended July 31, August 28 and October 2 respectively.

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- By press release dated June 29, 1998, the company announced that the company's Board authorized the repurchase of an aggregate of \$100 million of the company's common stock (the "1998 Authorization"). The 1998 Authorization will expire when the aggregate repurchase price limit is met, unless terminated earlier by the company's Board.
 - By press release dated February 3, 1999, the company announced that the company's Board authorized the repurchase of an aggregate of \$50 million of the company's common stock (the "1999 Authorization"). The 1999 Authorization will expire when the aggregate repurchase price limit is met, unless terminated earlier by the company's Board.

These repurchases are being made pursuant to the three Board authorizations discussed above. During the first nine months of 2004, the company repurchased 900,000 shares of common stock in connection with this announcement. The company intends to continue to buy, and has bought, additional shares in the fourth quarter of 2004, such that full year repurchases have exceeded its fiscal 2004 repurchase target of 1,000,000 shares that was publicly announced by press release dated January 21, 2004.

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Item 6. Exhibits

Item 6(a): Exhibits

- Exhibit 10.1 Form of Stock Option Agreement under the Amended and Restated Snap-on Incorporated 2001 Incentive Stock and Awards Plan
- Exhibit 10.2 Five Year Credit Agreement between Snap-on Incorporated, Citigroup Global Markets Inc. and Citibank, N.A.
- Exhibit 12 Computation of Ratio of Earnings to Fixed Charges
- Exhibit 31.1 Certification of Chief Executive Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as amended.
- Exhibit 31.2 Certification of Principal Financial Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as amended.
- Exhibit 32.1 Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- Exhibit 32.2 Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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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 person.

SNAP-ON INCORPORATED

Date: November 8, 2004

/s/ Martin M. Ellen
Martin M. Ellen, Principal Financial Officer,
Chief Financial Officer,
Senior Vice President - Finance

EXHIBIT INDEX

| Exhibit No. | Exhibit |
|-------------|--|
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SNAP-ON INCORPORATED
COMBINED INCENTIVE STOCK OPTION AND NON-QUALIFIED STOCK OPTION
AGREEMENT WITH VESTING PROVISIONS

THIS COMBINED INCENTIVE STOCK OPTION AND NON-QUALIFIED STOCK OPTION AGREEMENT, dated the [] day of [Month], [YEAR], is granted by SNAP-ON INCORPORATED (the "Company") to [Name] (the "Optionee") pursuant to the Company's 2001 Incentive Stock and Awards Plan (the "Plan").

WHEREAS, the Company believes it to be in the best interests of the Company, its subsidiaries and its stockholders for its officers and other key employees to obtain or increase their stock ownership interest in the Company so that they will have a greater incentive to work for and manage the Company's affairs in such a way that its shares may become more valuable; and

WHEREAS, the Optionee is employed by the Company or one of its subsidiaries as an officer or other key employee and has been selected by the Committee to receive an option;

NOW, THEREFORE, in consideration of the premises and of the services to be performed by the Optionee, the Company and the Optionee hereby agree as follows:

1. OPTION GRANT

Subject to the terms of this Agreement and the Plan, the Company grants to the Optionee an option to purchase a total of [#] shares of Common Stock of the Company at a price of [\$] per share divided as follows:

(a) A portion of this option to purchase [#] shares of Common Stock is intended to qualify as an "incentive stock option" within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended (the "Code").

(b) The remaining portion of this option to purchase [#] shares of Common Stock is not intended to qualify as an "incentive stock option" within the meaning of Section 422 of the Code, which this Agreement refers to as "non-qualified".

2. TIME OF EXERCISE

Subject to the termination provisions of paragraphs 3, 4 and 5, and provided that the Optionee is an employee of the Company or one of its subsidiaries on such date,

(a) the Optionee may purchase [#] of the incentive option shares on or after [Date] [and may purchase an additional [#] of the incentive option shares on or after [Date]]; and

(b) the Optionee may purchase [#] of the non-qualified option shares on or after [Date] [and may purchase an additional [#] of the non-qualified option shares on or after [Date]].

If the Optionee terminates employment from the Company and its subsidiaries, only those option shares for which the right to purchase has accrued as of the date of such termination may be purchased after such termination (subject to the provisions of paragraphs 3, 4 and 5). If the Optionee takes an unpaid leave of absence, then the Committee may defer the dates on which the Optionee may first purchase the option shares to take into account such leave of absence.

3. TERMINATION OF OPTION

A. INCENTIVE STOCK OPTION

The Optionee may not exercise the portion of this option that is intended to qualify as an incentive stock option after, and this portion of the option will terminate without notice to the Optionee on, the earlier of:

(a) Three (3) months after the date of the termination of the Optionee's employment from the Company and its subsidiaries for any reason other than for Cause or due to Disability or death;

(b) On the date the Company or one of its subsidiaries terminates the Optionee's employment for Cause;

(c) Twelve (12) months after the date of the termination of the Optionee's employment from the Company and its subsidiaries by reason of death or Disability; or

(d) Ten (10) years from the date of this Agreement.

B. NON-QUALIFIED STOCK OPTION

The Optionee may not exercise the portion of this option that is non-qualified after, and this portion of the option will terminate without notice to the Optionee on, the earlier of:

(a) Six (6) months after the date of the Optionee's termination of employment from the Company and its subsidiaries for any reason other than for Cause or due to Disability, death or Retirement;

- (b) The date the Company or one of its subsidiaries terminates the Optionee's employment for Cause;
- (c) Twelve (12) months after the date of termination of the Optionee's employment from the Company and its subsidiaries by reason of death or Disability;
- (d) Ten (10) years after the Optionee terminates employment from the Company and its subsidiaries on account of Retirement; or
- (e) Ten (10) years from the date of this Agreement.

For purposes of this paragraph 3, termination shall occur at 11:59 P.M. (Central Time) on the applicable date described above, except that if the Optionee is terminated for Cause, termination shall occur immediately at the time of such termination.

The Company is under no obligation, whatsoever, to update, remind or notify Optionee of any expiration date prior to the expiration of the options, regardless of whether Company provides an update to Optionee or any other Plan Participant.

If the Company divests a subsidiary, division or other business unit, then the Committee will have the discretion to determine whether or not such divestiture of a subsidiary, division or other business unit results in termination of the Optionee's employment from the Company and its subsidiaries for purposes of this Agreement, which discretion the Committee may exercise on a case by case basis.

In addition, if the Optionee takes a military, sick leave or other bona fide leave of absence from the Company and its subsidiaries, the Optionee will be considered to have terminated employment from the Company and its subsidiaries on the later of (i) the 91st day of such leave, or (ii) the last day that the Optionee's right to reemployment following the end of such leave is guaranteed by law or contract with the Company or a subsidiary.

4. TERMINATION FOR CAUSE

If the Company or one of its subsidiaries terminates the Optionee's employment for Cause, then the Committee may determine that any exercises of this option within the six (6) month period prior to such termination will be deemed of no force and effect and the Committee may pursue any remedy or proceeding available to compel the Optionee to return to the Company any profits the Optionee realized (directly or indirectly) from exercising this option during such period.

5. DETRIMENTAL ACTIVITY

(a) If, within one (1) year after the Optionee's termination of employment from the Company and its subsidiaries, the Company becomes aware that the Optionee had engaged in activity prior to his or her termination that would have constituted Cause for termination had the Company known of such activity, then the Committee may re-characterize the Optionee's termination as a termination for Cause and/or may redetermine the date of such termination. In such an event, the Optionee's right to exercise this option will be terminated as of the Optionee's deemed date of termination for Cause.

(b) If, within three (3) months after the Optionee's termination of employment from the Company and its subsidiaries, the Company becomes aware that the Optionee has engaged in Detrimental Activity subsequent to his or her termination, then the Committee may determine that the Optionee's right to exercise this option will be terminated as of the date the Optionee engaged in the Detrimental Activity.

(c) If the Optionee exercised this option during the period beginning six (6) months before the deemed date of termination for Cause in accordance with (a) above, or the date the Optionee engaged in Detrimental Activity in accordance with (b) above, and ending on the date of the Committee's determination, then such exercise will be deemed of no force and effect and the Committee reserves its right to pursue any remedy or proceeding available to compel the Optionee to return to the Company any profits the Optionee realized (directly or indirectly) from exercising this option during such period.

(d) If an allegation of Detrimental Activity by the Optionee is made to the Committee, then the Optionee's ability to exercise this option will be suspended for the period the Committee determines to permit the Committee to investigate the allegation.

(e) Notwithstanding any other provision hereof, the provisions of this Section 5 shall be null and void and of no effect upon the occurrence of a Change of Control (as defined in the Plan).

6. EXERCISE PROCEDURES

(a) The Optionee may exercise this option in whole or in part only with respect to any shares for which the right to exercise shall have accrued pursuant to paragraph 2 and only so long as paragraphs 3 and 5 do not prohibit such exercise.

(b) This option may be exercised by delivering a written notice of option exercise to the Company's Human Resources Department at Kenosha, Wisconsin, accompanied by payment of the purchase price and such additional amount (if any) determined by the Human Resources Department as necessary to satisfy the Company's tax withholding obligations, and such other documents or representations as the Company may reasonably request to comply with securities, tax or other laws then applicable to the exercise of the option. Delivery may be made in person, by nationally-recognized delivery service that guarantees overnight delivery, or by facsimile. A notice of option exercise that the Human Resources Department receives after the date of termination (as provided in paragraph 3) shall be null and void.

- (c) The Optionee may pay the purchase price in one or more of the following forms:
- i. a check payable to the order of the Company for the purchase price of the shares being purchased; or
 - ii. delivery of shares of Common Stock (including by attestation) that the Optionee has owned for at least six (6) months and that have a Fair Market Value (determined on the date of delivery) equal to the purchase price of the shares being purchased; or
 - iii. delivery (including by facsimile) to the Human Resources Department of the Company at Kenosha, Wisconsin, of an executed irrevocable option exercise form together with irrevocable instructions, in a form acceptable to the Company, to a broker-dealer to sell or margin a sufficient portion of the shares of Common Stock issuable upon exercise of this option and deliver the sale or margin loan proceeds directly to the Company to pay for the exercise price.
- (d) The Optionee may satisfy any tax withholding obligation of the Company arising from the exercise of this option, in whole or in part, by paying such tax obligation in cash or by check made payable to the Company, or by electing to have the Company withhold shares of Common Stock having a Fair Market Value on the date of exercise equal to the amount required to be withheld, subject to such rules as the Committee may adopt. In any event, the Company reserves the right to withhold from any compensation otherwise payable to the Optionee such amount as the Company determines is necessary to satisfy the Company's tax withholding obligations arising from the exercise of this option.

7. DEFINITIONS

- (a) "Cause" means termination of employment as a result of (i) the failure of the Optionee to perform or observe any of the terms or provisions of any written employment agreement between the Optionee and the Company or its subsidiaries or, if no written agreement exists, the gross dereliction of the Optionee's duties with respect to the Company or any of its subsidiaries, as applicable; (ii) the failure of the Optionee to comply fully with the lawful directives of the Board of Directors of the Company or its subsidiaries, as applicable, or the officers or supervisory employees to whom the Optionee is reporting; (iii) the Optionee's dishonesty, misconduct, misappropriation of funds, or disloyalty or disparagement of the Company, any of its subsidiaries, or its management or employees; (iv) engaging in Detrimental Activity prior to termination of employment, or (v) other proper cause determined in good faith by the Committee. Notwithstanding the foregoing, if the Optionee is subject to a written agreement with the Company or any of its subsidiaries that contains a definition of "Cause" that is different from the definition provided in this paragraph, then the definition of "Cause" in such other agreement shall apply in lieu of the definition provided in this paragraph.
- (b) "Detrimental Activity" means activity that the Committee determines in its sole discretion to be detrimental to the interests of the Company or any of its subsidiaries, including but not limited to situations where the Optionee: (i) divulges trade secrets of the Company or its subsidiaries, proprietary data or other confidential information relating to the Company or any subsidiary or to the business of the Company or any subsidiary, (ii) enters into employment with a competitor under circumstances suggesting that such Optionee will be using unique or special knowledge gained as a Company or subsidiary employee to compete with the Company or any subsidiary, (iii) uses information obtained during the course of his or her prior employment for his or her own purposes, such as for the solicitation of business in competition with the Company, (iv) is determined to have engaged (whether or not prior to termination due to Retirement) in either gross misconduct or criminal activity harmful to the Company, or (v) takes any action that harms the business interests, reputation, or goodwill of the Company and/or its subsidiaries.
- (c) "Disability" means permanently and totally disabled within the meaning of section 22(e)(3) of the Internal Revenue Code of 1986, as amended.
- (d) "Retirement" means termination of employment from the Company and its subsidiaries on or after satisfying the early or normal retirement age and service conditions specified in the retirement policy or retirement plan of the Company or one of its subsidiaries applicable to such Optionee as in effect at the time of such termination.

8. OPTION AS COLLATERAL

The Optionee may not assign or mortgage this option, or pledge this option as any type of security or collateral. Any attempted assignment, mortgage or pledge of this option in violation of this paragraph 8 will be null and void and have no legal effect.

9. NON-TRANSFERABILITY; DEATH

A. INCENTIVE STOCK OPTION

The following provisions apply only to the portion of this option intended to qualify as an incentive stock option:

- (i) Except as the Committee otherwise provides, the Optionee may not transfer this option other than by will or the laws of descent and distribution, and only the Optionee may exercise this option during his or her lifetime. However, if the Committee determines that the Optionee is unable to exercise this option as a result of incapacity or Disability, then the Committee may permit the Optionee's guardian or an individual who has obtained an appropriate power of attorney to exercise this option on behalf of the Optionee. In such an event, neither the Committee nor the Company will be liable for any losses resulting from such exercise or from the disposition of shares acquired upon such exercise.
- (ii) If the Optionee dies while this option is outstanding, then the Optionee's estate or the person to whom this option passes by will or the laws of descent and distribution may exercise this option in the manner described in paragraph 6, but only within a period of (A) twelve (12) months after the Optionee's death or (B) ten (10) years from the date of this Agreement, whichever period is shorter. In such event, this option shall continue to be subject to the same terms and conditions as were applicable immediately prior to the Optionee's death, provided that for purposes of this Agreement, the term

“Optionee” as used in paragraphs 8, 10, 11, 12, 13 and 14 shall be deemed to refer to the person(s) who has(ve) the right to exercise the option after the Optionee’s death. The Company disclaims any obligation to provide notice to any person who has the right to exercise this option of circumstances triggering termination of this option.

B. NON-QUALIFIED STOCK OPTION

The following provisions apply only to the portion of this option that is non-qualified:

(i) Except as provided in paragraph 9.B(iii), or as the Committee otherwise provides, the Optionee may not transfer this option other than by will or the laws of descent and distribution, and only the Optionee may exercise this option during his or her lifetime. However, if the Committee determines that the Optionee is unable to exercise this option as a result of incapacity or Disability, then the Committee may permit the Optionee’s guardian or an individual who has obtained an appropriate power of attorney to exercise this option on behalf of the Optionee. In such an event, neither the Committee nor the Company will be liable for any losses resulting from such exercise or from the disposition of shares acquired upon such exercise.

(ii) If the Optionee dies while this option is outstanding, then the Optionee’s estate or the person to whom this option passes by will or the laws of descent and distribution may exercise this option in the manner described in paragraph 6, but only within a period of (A) twelve (12) months after the Optionee’s death or (B) ten (10) years from the date of this Agreement, whichever period is shorter.

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(iii) The Optionee may transfer this option to (A) his or her spouse, children or grandchildren (“Immediate Family Members”); (B) a trust or trusts for the exclusive benefit of such Immediate Family Members; or (C) a partnership in which such Immediate Family Members are the only partners. The transfer will be effective only if the Optionee receives no consideration for such transfer. Subsequent transfers of the transferred option are prohibited except transfers to those persons or entities to which the Optionee could have transferred this option or transfers otherwise in accordance with this paragraph 9.B.

Following any transfer (whether voluntarily or pursuant to will or the law of descent and distribution) under this paragraph 9.B, this option shall continue to be subject to the same terms and conditions as were applicable immediately prior to such transfer, provided that for purposes of this Agreement, the term “Optionee” as used in paragraphs 8, 10, 11, 12, 13 and 14 shall be deemed to refer to the transferee. The Company disclaims any obligation to provide notice to any person who has the right to exercise this option of circumstances triggering termination of this option.

10. REGISTRATION

If the Company is advised by its counsel that shares deliverable upon exercise of this option are required to be registered under the Securities Act of 1933 (“Act”) or any applicable state or foreign securities laws, or that delivery of the shares must be accompanied or preceded by a prospectus meeting the requirements of that Act or such state or foreign securities laws, then the Company will use its best efforts to effect the registration or provide the prospectus within a reasonable time following the Company’s receipt of written notice of option exercise relating to this option, but delivery of shares by the Company may be deferred until the registration is effected or the prospectus is available. The Optionee shall have no interest in shares covered by this option until certificates for the shares are issued.

11. ADJUSTMENTS AND CHANGE OF CONTROL

The number and type of shares subject to this option and the option price may be adjusted, or this option may be assumed, cancelled or otherwise changed, in the event of certain transactions, as provided in Section 12 of the Plan. Upon a change of control, as defined in the Plan, the Optionee shall have the rights specified in Section 12 of the Plan.

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12. AMENDMENT OR MODIFICATION

Except as provided in paragraph 11, no term or provision of this Agreement may be amended, modified or supplemented orally, but only by an instrument in writing signed by the party against which or whom the enforcement of the amendment, modification or supplement is sought.

13. LIMITED INTEREST

(a) The Optionee has no rights as a stockholder as a result of the grant of the option until this option is exercised, the exercise price and applicable withholding taxes are paid, and the shares issued.

(b) The grant of this option does not confer on the Optionee any right to continue as an employee, nor interfere in any way with the right of the Company or any of its subsidiaries to terminate the Optionee at any time.

(c) The grant of this option shall not affect in any way the right or power of the Company or any of its subsidiaries to make or authorize any or all adjustments, recapitalizations, reorganizations, or other changes in the Company’s or any subsidiary’s capital structure or its business, or any merger, consolidation or business combination of the Company or any subsidiary, or any issuance or modification of any term, condition, or covenant of any bond, debenture, debt, preferred stock or other instrument ahead of or affecting the Common Stock or the rights of the holders of Common Stock, or the dissolution or liquidation of the Company or any subsidiary, or any sale or transfer of all or any part of its assets or business or any other Company or subsidiary act or proceeding, whether of a similar character or otherwise.

14. LIMITS ON INCENTIVE STOCK OPTIONS

To the extent that the aggregate Fair Market Value of the Common Stock in respect of which the portion of this option that is intended to qualify as an “incentive stock option” is exercisable for the first time by the Optionee during a single calendar year (determined as of the date of this Agreement), plus the aggregate Fair Market Value of any shares of Common Stock subject to incentive stock options previously granted to the Optionee by the Company or any

subsidiary (determined as of their respective dates of grant) that are exercisable for the first time by the Optionee during a single calendar year, exceeds one hundred thousand dollars (\$100,000), such portion of this option as to any such excess shall be considered a non-qualified stock option in addition to the portion of this option that is non-qualified as contemplated by paragraph 1(b).

15. ACTION OR PROCEEDING; SUBJECT TO PLAN

The Company may require that any legal action or proceeding with respect to the Plan or this option be determined in a bench trial.

THE OPTIONEE ACKNOWLEDGES RECEIPT OF A COPY OF THE PLAN. ALL PARTIES ACKNOWLEDGE THAT THIS OPTION IS GRANTED UNDER AND PURSUANT TO THE PLAN, WHICH SHALL GOVERN ALL RIGHTS, INTERESTS, OBLIGATIONS, AND UNDERTAKINGS OF BOTH THE COMPANY AND THE OPTIONEE. ALL CAPITALIZED TERMS NOT OTHERWISE DEFINED IN THIS OPTION SHALL HAVE THE MEANINGS ASSIGNED TO SUCH TERMS IN THE PLAN.

OPTIONEE HEREBY ACKNOWLEDGES THAT IT IS OPTIONEE'S RESPONSIBILITY TO EXERCISE THE OPTIONS PRIOR TO THEIR EXPIRATION. OPTIONEE FURTHER ACKNOWLEDGES THAT COMPANY IS UNDER NO OBLIGATION, WHATSOEVER, TO UPDATE, REMIND OR NOTIFY OPTIONEE OF ANY EXPIRATION DATE PRIOR TO THE EXPIRATION OF THE OPTIONS, REGARDLESS OF WHETHER COMPANY PROVIDES AN UPDATE TO OPTIONEE OR ANY OTHER PLAN PARTICIPANT.

16. COUNTERPARTS

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

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed by its duly authorized officer and the Optionee has executed this Agreement all as of the day and date first above written.

SNAP-ON INCORPORATED

By _____

[Optionee]

Social Security Number

FIVE YEAR CREDIT AGREEMENT

Dated as of July 27, 2004

SNAP-ON INCORPORATED, a Delaware corporation (the "Borrower"), the banks, financial institutions and other institutional lenders (the "Initial Lenders") listed on the signature pages hereof, CITIGROUP GLOBAL MARKETS INC., as sole lead arranger and book manager, and CITIBANK, N.A. ("Citibank"), as administrative agent (the "Agent") for the Lenders (as hereinafter defined), agree as follows:

ARTICLE I

DEFINITIONS AND ACCOUNTING TERMS

SECTION 1.01. Certain Defined Terms.

As used in this Agreement, the following terms shall have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

"Advance" means a Revolving Credit Advance or a Competitive Bid Advance.

"Affiliate" means, as to any Person, any other Person that, directly or indirectly, controls, is controlled by or is under common control with such Person or is a director or officer of such Person. For purposes of this definition, the term "control" (including the terms "controlling", "controlled by" and "under common control with") of a Person means the possession, direct or indirect, of the power to vote 5% or more of the Voting Stock of such Person or to direct or cause the direction of the management and policies of such Person, whether through the ownership of Voting Stock, by contract or otherwise.

"Agent's Account" means (a) in the case of Advances denominated in Dollars, the account of the Agent maintained by the Agent at Citibank at its office at 399 Park Avenue, New York, New York 10043, Account No. 36852248, Attention: Bank Loan Syndications, (b) in the case of Advances denominated in any Foreign Currency, the account of the Sub-Agent designated in writing from time to time by the Agent to the Borrower and the Lenders for such purpose and (c) in any such case, such other account of the Agent as is designated in writing from time to time by the Agent to the Borrower and the Lenders for such purpose.

"Applicable Lending Office" means, with respect to each Lender, such Lender's Domestic Lending Office in the case of a Base Rate Advance and such Lender's Eurocurrency Lending Office in the case of a Eurocurrency Rate Advance and, in the case of a Competitive Bid Advance, the office of such Lender notified by such Lender to the Agent as its Applicable Lending Office with respect to such Competitive Bid Advance.

"Applicable Margin" means (a) for Base Rate Advances, 0% per annum and (b) for Eurocurrency Rate Advances, as of any date, a percentage per annum determined by reference to the Public Debt Rating in effect on such date as set forth below:

| Public Debt Rating S&P/Moody's | Applicable Margin for Eurocurrency Rate Advances |
|---------------------------------------|---|
| <u>Level 1</u> AA- or Aa2 or above | 0.150% |
| <u>Level 2</u> A+ or A1 | 0.140% |
| <u>Level 3</u> A or A2 | 0.180% |
| <u>Level 4</u> A- or A3 | 0.215% |
| <u>Level 5</u> BBB+ or Baa1 | 0.375% |
| <u>Level 6</u> Lower than Level 5 | 0.550% |

"Applicable Percentage" means, as of any date, a percentage per annum determined by reference to the Public Debt Rating in effect on such date as set forth below:

| Public Debt Rating S&P/Moody's | Applicable Percentage |
|---------------------------------------|--------------------------|
| <u>Level 1</u> AA- or Aa2 or above | 0.050% |
| <u>Level 2</u> | |

| | |
|--------------------------------------|--------|
| A+ or A1 | 0.060% |
| <u>Level 3</u> A or A2 | 0.070% |
| <u>Level 4</u> A- or A3 | 0.085% |
| <u>Level 5</u> BBB+ or Baa1 | 0.125% |
| <u>Level 6</u> Lower than Level 5 | 0.150% |

“Applicable Utilization Fee” means, as of any date that the aggregate Advances exceed 33% of the aggregate Commitments, a percentage per annum determined by reference to the Public Debt Rating in effect on such date as set forth below:

| Public Debt Rating S&P/Moody's | Applicable Utilization Fee |
|---------------------------------------|-------------------------------|
| <u>Level 1</u> AA- or Aa2 or above | 0.050% |
| <u>Level 2</u> A+ or A1 | 0.100% |
| <u>Level 3</u> A or A2 | 0.100% |
| <u>Level 4</u> A- or A3 | 0.100% |
| <u>Level 5</u> BBB+ or Baa1 | 0.125% |
| <u>Level 6</u> Lower than Level 5 | 0.150% |

“Assignment and Acceptance” means an assignment and acceptance entered into by a Lender and an Eligible Assignee, and accepted by the Agent, in substantially the form of Exhibit C hereto.

“Assuming Lender” has the meaning specified in Section 2.18(d).

“Assumption Agreement” has the meaning specified in Section 2.18(d).

“Base Rate” means a fluctuating interest rate per annum in effect from time to time, which rate per annum shall at all times be equal to the highest of:

- (a) the rate of interest announced publicly by Citibank in New York, New York, from time to time, as Citibank’s base rate;
- (b) the sum (adjusted to the nearest 1/4 of 1% or, if there is no nearest 1/4 of 1%, to the next higher 1/4 of 1%) of (i) ½ of 1% per annum, plus (ii) the rate obtained by dividing (A) the latest three-week moving average of secondary market morning offering rates in the United States for three-month certificates of deposit of major United States money market banks, such three-week moving average (adjusted to the basis of a year of 360 days) being determined weekly on each Monday (or, if such day is not a Business Day, on the next succeeding Business Day) for the three-week period ending on the previous Friday by Citibank on the basis of such rates reported by certificate of deposit dealers to and published by the Federal Reserve Bank of New York or, if such publication shall be suspended or terminated, on the basis of quotations for such rates received by Citibank from three New York certificate of deposit dealers of recognized standing selected by Citibank, by (B) a percentage equal to 100% minus the average of the daily percentages specified during such three-week period by the Board of Governors of the Federal Reserve System (or any successor) for determining the maximum reserve requirement (including, but not limited to, any emergency, supplemental or other marginal reserve requirement) for Citibank with respect to liabilities consisting of or including (among other liabilities) three-month U.S. dollar non-personal time deposits in the United States, plus (iii) the average during such three-week period of the annual assessment rates estimated by Citibank for determining the then current annual assessment payable by Citibank to the Federal Deposit Insurance Corporation (or any successor) for insuring U.S. dollar deposits of Citibank in the United States; and
- (c) ½ of one percent per annum above the Federal Funds Rate.

“Base Rate Advance” means a Revolving Credit Advance denominated in Dollars that bears interest as provided in Section 2.07(a)(i).

“Borrowing” means a Revolving Credit Borrowing or a Competitive Bid Borrowing.

“Business Day” means a day of the year on which banks are not required or authorized by law to close in New York City and, if the applicable Business Day relates to any Eurocurrency Rate Advances or LIBO Rate Advances, on which dealings are carried on in the London interbank market and banks are open for business in London and in the country of issue of the currency of such Eurocurrency Rate Advance or LIBO Rate Advance (or, in the case of an Advance denominated in the euro, in Frankfurt, Germany) and, if the applicable Business Day relates to any Local Rate Advances on which banks are open for business in the country of issue of the currency of such Local Rate Advance.

“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.

“Commitment Date” has the meaning specified in Section 2.18(b).

“Commitment Increase” has the meaning specified in Section 2.18(a).

“Committed Currencies” means lawful currency of the United Kingdom of Great Britain and Northern Ireland, lawful currency of The Swiss Federation, lawful currency of Canada, lawful currency of Australia, lawful currency of Japan, lawful currency of the European Economic and Monetary Union and any other currency that is freely convertible into Dollars and available to all Lenders.

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“Competitive Bid Advance” means an advance by a Lender to the Borrower as part of a Competitive Bid Borrowing resulting from the competitive bidding procedure described in Section 2.03 and refers to a Fixed Rate Advance, a LIBO Rate Advance or a Local Rate Advance.

“Competitive Bid Borrowing” means a borrowing consisting of simultaneous Competitive Bid Advances from each of the Lenders whose offer to make one or more Competitive Bid Advances as part of such borrowing has been accepted under the competitive bidding procedure described in Section 2.03.

“Competitive Bid Note” means a promissory note of the Borrower payable to the order of any Lender, in substantially the form of Exhibit A-2 hereto, evidencing the indebtedness of the Borrower to such Lender resulting from a Competitive Bid Advance made by such Lender.

“Competitive Bid Reduction” has the meaning specified in Section 2.01.

“Confidential Information” means information that the Borrower furnishes (or is furnished on behalf of the Borrower) to the Agent or any Lender, but does not include any such information that is or becomes generally available to the public or that is or becomes available to the Agent or such Lender from a source other than the Borrower (or a Person furnishing information on behalf of the Borrower) that is not, to the knowledge of the Agent or such Lender, acting in violation of a confidentiality agreement with the Borrower.

“Consenting Lender” has the meaning specified in Section 2.18(b).

“Consolidated” refers to the consolidation of accounts in accordance with GAAP.

“Convert”, “Conversion” and “Converted” each refers to a conversion of Revolving Credit Advances of one Type into Revolving Credit Advances of the other Type pursuant to Section 2.08 or 2.09.

“Debt” of any Person means, without duplication (other than, for purposes of Section 6.01(d), any of the following owed to the Borrower or any of its wholly-owned Subsidiaries), (a) all indebtedness of such Person for borrowed money, (b) all obligations of such Person for the deferred purchase price of property or services (other than (i) trade and similar accounts payables that (x) are not overdue by more than 120 days incurred in the ordinary course of such Person’s business or (y) are being contested in good faith by appropriate proceedings and as to which appropriate reserves are being maintained, (ii) accrued expenses arising in the ordinary course of business, employee compensation and pension obligations and other obligations arising from employee benefit agreements and programs, (iii) earn-outs and holdbacks and (iv) customer advances), (c) all obligations of such Person evidenced by notes, bonds, debentures or other similar instruments, (d) all obligations of such Person created or arising under any conditional sale or other title retention agreement with respect to property acquired by such Person (even though the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such property), (e) all obligations of such Person as lessee under leases that have been or should be, in accordance with GAAP, recorded as capital leases, (f) all obligations, contingent or otherwise, of such Person in respect of acceptances, letters of credit or similar extensions of credit, (g) all net obligations of such Person in respect of Hedge Agreements, (h) all Debt of others referred to in clauses (a) through (g) above or clause (i) below guaranteed directly or indirectly in any manner by such Person, or in effect guaranteed directly or indirectly by such Person through an agreement (1) to pay or purchase such Debt or to advance or supply funds for the payment or purchase of such Debt, (2) to purchase, sell or lease (as lessee or lessor) property, or to purchase or sell services, primarily for the purpose of enabling the debtor to make payment of such Debt or to assure the holder of such Debt against loss, (3) to supply funds to or in any other manner invest in the debtor (including any agreement to pay for property or services irrespective of whether such property is received or such services are rendered) or (4) otherwise to assure a creditor against loss, provided that, if the guaranty or other agreement provides for limited recourse to such Person for such Debt, it shall be taken into account only to the extent of such recourse, and (i) all Debt referred to in clauses (a) through (h) above secured by (or for which the holder of such Debt has an existing right, contingent or otherwise, to be secured by) any Lien on property (including, without limitation, accounts and contract rights) owned by such Person, even though such Person has not assumed or become liable for the payment of such Debt, provided that, if such Person has not assumed or become liable for the payment of such Debt, it shall be taken into account only to the extent of the book value or fair market value, whichever is greater, of the property subject to such Lien; provided, further, however, that the term “Debt” shall not include obligations incurred in connection with a Permitted Receivables Financing.

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“Default” means any Event of Default or any event that would constitute an Event of Default but for the requirement that notice be given or time lapse or both.

“Disclosed Litigation” has the meaning specified in Section 3.01(b).

“Dollars” and the “\$” sign each means lawful currency of the United States of America.

“Domestic Lending Office” means, with respect to any Lender, the office of such Lender specified as its “Domestic Lending Office” opposite its name on Schedule I hereto or in the Assumption Agreement or the Assignment and Acceptance pursuant to which it became a Lender, or such other office of such Lender as such Lender may from time to time specify to the Borrower and the Agent.

“Effective Date” has the meaning specified in Section 3.01.

“Eligible Assignee” means (i) a Lender; (ii) an Affiliate of a Lender; and (iii) any other Person approved by the Agent and, unless an Event of Default has occurred and is continuing at the time any assignment is effected in accordance with Section 8.07, the Borrower, such approval not to be unreasonably withheld or delayed; provided, however, that neither the Borrower nor an Affiliate of the Borrower shall qualify as an Eligible Assignee.

“Environmental Action” means any action, suit, demand, demand letter, claim, notice of non-compliance or violation, notice of liability or potential liability, investigation, proceeding, consent order or consent agreement relating in any way to any Environmental Law, Environmental Permit or Hazardous Materials or arising from alleged injury or threat of injury to health, safety or the environment, including, without limitation, (a) by any governmental or regulatory authority for enforcement, cleanup, removal, response, remedial or other actions or damages and (b) by any governmental or regulatory authority or any third party for damages, contribution, indemnification, cost recovery, compensation or injunctive relief.

“Environmental Law” means any federal, state, local or foreign statute, law, ordinance, rule, regulation, code, order, judgment, decree or judicial or agency interpretation, policy or guidance relating to pollution or protection of the environment, health, safety or natural resources, including, without limitation, those relating to the use, handling, transportation, treatment, storage, disposal, release or discharge of Hazardous Materials.

“Environmental Permit” means any permit, approval, identification number, license or other authorization required under any Environmental Law.

“Equivalent” in Dollars of any Foreign Currency on any date means the equivalent in Dollars of such Foreign Currency determined by using the quoted spot rate at which the Sub-Agent’s principal office in London offers to exchange Dollars for such Foreign Currency in London prior to 4:00 P.M. (London time) (unless otherwise indicated by the terms of this Agreement) on such date as is required pursuant to the terms of this Agreement, and the “Equivalent” in any Foreign Currency of Dollars means the equivalent in such Foreign Currency of Dollars determined by using the quoted spot rate at which the Sub-Agent’s principal office in London offers to exchange such Foreign Currency for Dollars in London prior to 4:00 P.M. (London time) (unless otherwise indicated by the terms of this Agreement) on such date as is required pursuant to the terms of this Agreement.

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended from time to time, and the regulations promulgated and rulings issued thereunder.

“ERISA Affiliate” means any Person that for purposes of Title IV of ERISA is a member of the Borrower’s controlled group, or under common control with the Borrower, within the meaning of Section 414 of the Internal Revenue Code.

“ERISA Event” means (a) (i) the occurrence of a reportable event, within the meaning of Section 4043 of ERISA, with respect to any Plan unless the 30-day notice requirement with respect to such event has been waived by the PBGC, or (ii) the requirements of subsection (1) of Section 4043(b) of ERISA (without regard to subsection (2) of such Section) are met with a contributing sponsor, as defined in Section 4001(a)(13) of ERISA, of a Plan, and an event described in paragraph (9), (10), (11), (12) or (13) of Section 4043(c) of ERISA is reasonably expected to occur with respect to such Plan within the following 30 days; (b) the application for a minimum funding waiver with respect to a Plan; (c) the provision by the administrator of any Plan of a notice of intent to terminate such Plan pursuant to Section 4041(a)(2) of ERISA (including any such notice with respect to a plan amendment referred to in Section 4041(e) of ERISA); (d) the cessation of operations at a facility of the Borrower or any ERISA Affiliate in the circumstances described in Section 4062(e) of ERISA; (e) the withdrawal by the Borrower or any ERISA Affiliate from a Multiple Employer Plan during a plan year for which it was a substantial employer, as defined in Section 4001(a)(2) of ERISA; (f) the conditions for the imposition of a lien under Section 302(f) of ERISA shall have been met with respect to any Plan; (g) the adoption of an amendment to a Plan requiring the provision of security to such Plan pursuant to Section 307 of ERISA; or (h) the institution by the PBGC of proceedings to terminate a Plan pursuant to Section 4042 of ERISA, or the occurrence of any event or condition described in Section 4042 of ERISA that constitutes grounds for the termination of, or the appointment of a trustee to administer, a Plan.

“Eurocurrency Liabilities” has the meaning assigned to that term in Regulation D of the Board of Governors of the Federal Reserve System, as in effect from time to time.

“Eurocurrency Lending Office” means, with respect to any Lender, the office of such Lender specified as its “Eurocurrency Lending Office” opposite its name on Schedule I hereto or in the Assumption Agreement or the Assignment and Acceptance pursuant to which it became a Lender (or, if no such office is specified, its Domestic Lending Office), or such other office of such Lender as such Lender may from time to time specify to the Borrower and the Agent.

“Eurocurrency Rate” means, for any Interest Period for each Eurocurrency Rate Advance comprising part of the same Revolving Credit Borrowing, an interest rate per annum equal to the rate per annum obtained by dividing (a) the rate per annum (rounded upward to the nearest whole multiple of 1/100 of 1% per annum) appearing on Moneyline Telerate Service Page 3750 (or any successor page) as the London interbank offered rate for deposits in Dollars or the applicable Committed Currency at approximately 11:00 A.M. (London time) two Business Days prior to the first day of such Interest Period for a term comparable to such Interest Period or, if for any reason such rate is not available, the average (rounded upward to the nearest whole multiple of 1/100 of 1% per annum, if such average is not such a multiple) of the rate per annum at which deposits in Dollars or the applicable Committed Currency is offered by the principal office of each of the Reference Banks in London, England to prime banks in the London interbank market at 11:00 A.M. (London time) two Business Days before the first day of such Interest Period in an amount substantially equal to such Reference Bank’s Eurocurrency Rate Advance comprising part of such Revolving Credit Borrowing to be outstanding during such Interest Period and for a period equal to such Interest Period by (b) a percentage equal to 100% minus the Eurocurrency Rate Reserve Percentage for such Interest Period. If the Dow Jones Markets Page 3750 (or any successor page) is unavailable, the Eurocurrency Rate for any Interest Period for each Eurocurrency Rate Advance comprising part of the same Revolving Credit Borrowing shall be determined by the Agent on the basis of applicable rates furnished to and received by the Agent from the Reference Banks two Business Days before the first day of such Interest Period, subject, however, to the provisions of Section 2.08.

“Eurocurrency Rate Advance” means a Revolving Credit Advance denominated in Dollars or a Committed Currency that bears interest as provided in Section 2.07(a)(ii).

“Eurocurrency Rate Reserve Percentage” for any Interest Period for all Eurocurrency Rate Advances or LIBO Rate Advances comprising part of the same Borrowing means the reserve percentage applicable two Business Days before the first day of such Interest Period under regulations issued from time to time by the Board of Governors of the Federal Reserve System (or any successor) for determining the maximum reserve requirement (including, without limitation, any emergency, supplemental or other marginal reserve requirement) for a member bank of the Federal Reserve System in New York City with respect to liabilities or assets consisting of or including Eurocurrency Liabilities (or with respect to any other category of liabilities that includes deposits by reference to which the interest rate on Eurocurrency Rate Advances or LIBO Rate Advances is determined) having a term equal to such Interest Period.

“Events of Default” has the meaning specified in Section 6.01.

“Federal Funds Rate” means, for any period, a fluctuating interest rate per annum equal for each day during such period to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published for such day (or, if such day is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average of the quotations for such day on such transactions received by the Agent from three Federal funds brokers of recognized standing selected by it.

“Fixed Rate Advances” has the meaning specified in Section 2.03(a)(i), which Advances shall be denominated in Dollars or in any Foreign Currency.

“Foreign Currency” means any Committed Currency and any other lawful currency (other than Dollars) that is freely transferable or convertible into Dollars.

“GAAP” has the meaning specified in Section 1.03.

“Hazardous Materials” means (a) petroleum and petroleum products, byproducts or breakdown products, radioactive materials, asbestos-containing materials, polychlorinated biphenyls and radon gas and (b) any other chemicals, materials or substances designated, classified or regulated as hazardous or toxic or as a pollutant or contaminant under any Environmental Law.

“Hedge Agreements” means interest rate swap, cap or collar agreements, interest rate future or option contracts, currency swap agreements, currency future or option contracts and other similar agreements.

“Increase Date” has the meaning specified in Section 2.18(a).

“Increasing Lender” has the meaning specified in Section 2.18(b).

“Information Memorandum” means the information memorandum dated June 24, 2004 used by the Agent in connection with the syndication of the Commitments.

“Interest Period” means, for each Eurocurrency Rate Advance comprising part of the same Revolving Credit Borrowing and each LIBO Rate Advance comprising part of the same Competitive Bid Borrowing, the period commencing on the date of such Eurocurrency Rate Advance or LIBO Rate Advance or the date of the Conversion of any Base Rate Advance into such Eurocurrency Rate Advance and ending on the last day of the period selected by the Borrower pursuant to the provisions below and, thereafter, with respect to Eurocurrency Rate Advances, each subsequent period commencing on the last day of the immediately preceding Interest Period and ending on the last day of the period selected by the Borrower pursuant to the provisions below. The duration of each such Interest Period shall be one, two, three or six months, and subject to clause (c) of this definition, nine months or such other period requested by the Borrower, as the Borrower may, upon notice received by the Agent not later than 11:00 A.M. (New York City time) on the third Business Day prior to the first day of such Interest Period, select; provided, however, that:

-
- (a) the Borrower may not select any Interest Period that ends after the Termination Date;

(b) Interest Periods commencing on the same date for Eurocurrency Rate Advances comprising part of the same Revolving Credit Borrowing or for LIBO Rate Advances comprising part of the same Competitive Bid Borrowing shall be of the same duration;

(c) in the case of any such Revolving Credit Borrowing, the Borrower shall not be entitled to select an Interest Period having a duration of other than one, two, three or six months unless, by 2:00 P.M. (New York City time) on the third Business Day prior to the first day of such Interest Period, each Lender notifies the Agent that such Lender will be providing funding for such Revolving Credit Borrowing with such Interest Period (the failure of any Lender to so respond by such time being deemed for all purposes of this Agreement as an objection by such Lender to the requested duration of such Interest Period); provided that, if any or all of the Lenders object to the requested duration of such Interest Period, the duration of the Interest Period for such Revolving Credit Borrowing shall be one, two, three or six months, as specified by the Borrower requesting such Revolving Credit Borrowing in the applicable Notice of Revolving Credit Borrowing as the desired alternative to such requested Interest Period;

(d) whenever the last day of any Interest Period would otherwise occur on a day other than a Business Day, the last day of such Interest Period shall be extended to occur on the next succeeding Business Day, provided, however, that, if such extension would cause the last day of such Interest Period to occur in the next following calendar month, the last day of such Interest Period shall occur on the next preceding Business Day; and

(e) whenever the first day of any Interest Period occurs on a day of an initial calendar month for which there is no numerically corresponding day in the calendar month that succeeds such initial calendar month by the number of months equal to the number of months in such Interest Period, such Interest Period shall end on the last Business Day of such succeeding calendar month.

“Internal Revenue Code” means the Internal Revenue Code of 1986, as amended from time to time, and the regulations promulgated and rulings issued thereunder.

“Lenders” means the Initial Lenders, 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.

“LIBO Rate” means, for any Interest Period for all LIBO Rate Advances comprising part of the same Competitive Bid Borrowing, an interest rate per annum equal to the rate per annum obtained by dividing (a) the rate per annum (rounded upward to the nearest whole multiple of 1/100 of 1% per annum) appearing on Moneyline Telerate Service Page 3750 (or any successor page) as the London interbank offered rate for deposits in Dollars or the applicable Committed Currency at approximately 11:00 A.M. (London time) two Business Days prior to the first day of such Interest Period for a term comparable to such Interest Period or, if for any reason such rate is not available, the average (rounded upward to the nearest whole multiple of 1/100 of 1% per annum, if such average is not such a multiple) of the rate per annum at which deposits in Dollars or the applicable Foreign Currency is offered by the principal office of each of the Reference Banks in London, England to prime banks in the London interbank market at 11:00 A.M. (London time) two Business Days before the first day of such Interest Period in an amount substantially equal to the amount that would be the Reference Banks’ respective ratable shares of such Borrowing if such Borrowing were to be a Revolving Credit Borrowing to be outstanding during such Interest Period and for a period equal to such Interest Period by (b) a percentage equal to 100% minus the Eurocurrency Rate Reserve Percentage for such Interest Period. If the Moneyline Telerate Service Page 3750 (or any successor page) is unavailable, the LIBO Rate for any Interest Period for each LIBO Rate Advance comprising part of the same Competitive Bid Borrowing shall be determined by the Agent on the basis of applicable rates furnished to and received by the Agent from the Reference Banks two Business Days before the first day of such Interest Period, subject, however, to the provisions of Section 2.08.

“LIBO Rate Advances” means a Competitive Bid Advance denominated in Dollars or in any Foreign Currency and bearing interest based on the LIBO Rate.

“Lien” means any lien, security interest or other charge or encumbrance of any kind, or any other type of preferential arrangement, including, without limitation, the lien or retained security title of a conditional vendor (excluding operating leases) and any easement, right of way or other encumbrance on title to real property.

“Local Rate Advance” means a Competitive Bid Advance denominated in any Foreign Currency sourced from the jurisdiction of issuance of such Foreign Currency and bearing interest at a fixed rate.

“Material Adverse Change” means any material adverse change in the business, condition (financial or otherwise), operations, performance or properties of the Borrower or the Borrower and its Subsidiaries taken as a whole.

“Material Adverse Effect” means a material adverse effect on (a) the business, condition (financial or otherwise), operations, performance or properties of the Borrower or the Borrower and its Subsidiaries taken as a whole, (b) the rights and remedies of the Agent or any Lender under this Agreement or any Note or (c) the ability of the Borrower to perform its obligations under this Agreement or any Note.

“Material Subsidiary” means any Subsidiary of the Borrower having, as of the end of the Borrower’s most recently completed fiscal year, (a) assets with a value of not less than 5% of the total value of the assets of the Borrower and its Subsidiaries, taken as a whole, or (b) gross revenue of not less than 5% of the total (gross) revenue of the Borrower and its Subsidiaries, taken as a whole.

“Multiemployer Plan” means a multiemployer plan, as defined in Section 4001(a)(3) of ERISA, to which the Borrower or any ERISA Affiliate is making or accruing an obligation to make contributions, or has within any of the preceding five plan years made or accrued an obligation to make contributions.

“Multiple Employer Plan” means a single employer plan, as defined in Section 4001(a)(15) of ERISA, that (a) is maintained for employees of the Borrower or any ERISA Affiliate and at least one Person other than the Borrower and the ERISA Affiliates or (b) was so maintained and in respect of which the Borrower or any ERISA Affiliate could have liability under Section 4064 or 4069 of ERISA in the event such plan has been or were to be terminated.

“Non-Consenting Lender” has the meaning specified in Section 2.18(b).

“Note” means a Revolving Credit Note or a Competitive Bid Note.

“Notice of Revolving Credit Borrowing” has the meaning specified in Section 2.02(a).

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“Notice of Competitive Bid Borrowing” has the meaning specified in Section 2.03(a).

“Payment Office” means, for any Foreign Currency, such office of Citibank as shall be from time to time selected by the Agent and notified by the Agent to the Borrower and the Lenders.

“PBGC” means the Pension Benefit Guaranty Corporation (or any successor).

“Permitted Liens” means such of the following as to which no enforcement, collection, execution, levy or foreclosure proceeding shall have been commenced: (a) Liens for taxes, assessments and governmental charges or levies to the extent not required to be paid under Section 5.01(b) hereof; (b) Liens imposed by law, such as materialmen’s, mechanics’, carriers’, workmen’s and repairmen’s Liens and other similar Liens arising in the ordinary course of business securing obligations that are either (i) not overdue for a period of more than 45 days or (ii) are being contested in good faith and by proper proceedings and as to which appropriate reserves are being maintained; (c) pledges or deposits to secure obligations under workers’ compensation laws or similar legislation or to secure public or statutory obligations; and (d) easements, rights of way and other encumbrances on title to real property that do not render title to the property encumbered thereby unmarketable or materially adversely affect the use of such property for its present purposes.

“Permitted Receivables Financing” means any financing pursuant to which the Borrower or any Subsidiary or Subsidiaries of the Borrower may sell, convey or otherwise transfer to a Receivables Subsidiary or any other Person, or grant a security interest in, any accounts receivable, general intangibles, chattel paper or other financial assets (and related rights and assets) of the Borrower or such Subsidiary or Subsidiaries, provided that such financing shall be with limited or no recourse to the Borrower and its Subsidiaries (other than the Receivables Subsidiary) except to the extent customary (in the reasonable judgment of the Borrower) for such transactions.

“Person” means an individual, partnership, corporation (including a business trust), joint stock company, trust, unincorporated association, joint venture, limited liability company or other entity, or a government or any political subdivision or agency thereof.

“Plan” means a Single Employer Plan or a Multiple Employer Plan.

“Receivables Subsidiary” means a bankruptcy remote, special purpose wholly owned Subsidiary of the Borrower (or another wholly-owned Subsidiary of the Borrower) formed in connection with a Permitted Receivables Financing.

“Reference Banks” means Citibank, _____ and _____.

“Register” has the meaning specified in Section 8.07(d).

“Related Person” means each of the following: (a) the Borrower, (b) any Subsidiary of the Borrower or (c) any employee benefit plan of the Borrower or of any Subsidiary of the Borrower or any Person organized, appointed or established by the Borrower for or pursuant to the terms of any such plan.

“Required Lenders” means at any time Lenders owed at least a majority in interest of the then aggregate unpaid principal amount (based on the Equivalent in Dollars at such time) of the Revolving Credit Advances owing to Lenders, or, if no such principal amount is then outstanding, Lenders having at least a majority in interest of the Commitments.

“Revolving Credit Advance” means an advance by a Lender to the Borrower as part of a Revolving Credit Borrowing and refers to a Base Rate Advance or a Eurocurrency Rate Advance (each of which shall be a “Type” of Revolving Credit Advance).

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“Revolving Credit Borrowing” means a borrowing consisting of simultaneous Revolving Credit Advances of the same Type made by each of the Lenders pursuant to Section 2.01.

“Revolving Credit Note” means a promissory note of the Borrower payable to the order of any Lender, delivered pursuant to a request made under Section 2.16 in substantially the form of Exhibit A-1 hereto, evidencing the aggregate indebtedness of the Borrower to such Lender resulting from the Revolving Credit Advances made by such Lender.

“Single Employer Plan” means a single employer plan, as defined in Section 4001(a)(15) of ERISA, that (a) is maintained for employees of the Borrower or any ERISA Affiliate and no Person other than the Borrower and the ERISA Affiliates or (b) was so maintained and in respect of which the Borrower or any ERISA Affiliate could have liability under Section 4069 of ERISA in the event such plan has been or were to be terminated.

“Sub-Agent” means Citibank International plc.

“Subsidiary” of any Person means any corporation, partnership, joint venture, limited liability company, trust or estate of which (or in which) more than 50% of (a) the issued and outstanding capital stock having ordinary voting power to elect a majority of the Board of Directors of such corporation (irrespective of whether at the time capital stock of any other class or classes of such corporation shall or might have voting power upon the occurrence of any contingency), (b) the interest in the capital or profits of such limited liability company, partnership or joint venture or (c) the beneficial interest in such trust or estate is at the time directly or indirectly owned or controlled by such Person, by such Person and one or more of its other Subsidiaries or by one or more of such Person’s other Subsidiaries; it being understood that Snap-On Credit LLC, which is 50% owned by the Borrower, shall not be deemed to be a “Subsidiary” of the Borrower for purposes of this Agreement.

“Termination Date” means the earlier of (a) July 27, 2009 and (b) the date of termination in whole of the Commitments pursuant to Section 2.05 or 6.01.

“Voting Stock” means capital stock issued by a corporation, or equivalent interests in any other Person, the holders of which are ordinarily, in the absence of contingencies, entitled to vote for the election of directors (or persons performing similar functions) of such Person, even if the right so to vote has been suspended by the happening of such a contingency.

SECTION 1.02. Computation of Time Periods. In this Agreement in the computation of periods of time from a specified date to a later specified date, the word “from” means “from and including” and the words “to” and “until” each mean “to but excluding”.

SECTION 1.03. Accounting Terms. All accounting terms not specifically defined herein shall be construed in accordance with generally accepted accounting principles consistent with those applied in the preparation of the financial statements referred to in Section 4.01(e) (“GAAP”).

ARTICLE II

AMOUNTS AND TERMS OF THE ADVANCES

SECTION 2.01. The Revolving Credit Advances. Each Lender severally agrees, on the terms and conditions hereinafter set forth, to make Revolving Credit Advances to the Borrower from time to time on any Business Day during the period from the Effective Date until the Termination Date in an aggregate amount (based in respect of any Revolving Credit Advances to be denominated in a Committed Currency on the Equivalent in Dollars determined on the date of delivery of the applicable Notice of Revolving Credit Borrowing) not to exceed at any time outstanding such Lender’s Commitment, provided that the aggregate amount of the Commitments of the Lenders shall be deemed used from time to time to the extent of the aggregate amount (based in respect of any Competitive Bid Advance denominated in a Foreign Currency on the Equivalent in Dollars at such time) of the Competitive Bid Advances then outstanding and such deemed use of the aggregate amount of the Commitments shall be allocated among the Lenders ratably according to their respective Commitments (such deemed use of the aggregate amount of the Commitments being a “Competitive Bid Reduction”). Each Revolving Credit Borrowing shall be in an aggregate amount of \$10,000,000 or an integral multiple of \$1,000,000 in excess thereof (or the Equivalent thereof in any Committed Currency determined on the date of delivery of the applicable Notice of Revolving Credit Borrowing) and shall consist of Revolving Credit Advances of the same Type made on the same day by the Lenders ratably according to their respective Commitments. Within the limits of each Lender’s Commitment, the Borrower may borrow under this Section 2.01, prepay pursuant to Section 2.10 and reborrow under this Section 2.01.

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SECTION 2.02. Making the Revolving Credit Advances. (a) Each Revolving Credit Borrowing shall be made on notice, given not later than (x) 11:00 A.M. (New York City time) on the third Business Day prior to the date of the proposed Revolving Credit Borrowing in the case of a Revolving Credit Borrowing consisting of Eurocurrency Rate Advances denominated in Dollars, (y) 4:00 P.M. (London time) on the third Business Day prior to the date of the proposed Revolving Credit Borrowing in the case of a Revolving Credit Borrowing consisting of Eurocurrency Rate Advances denominated in any Committed Currency, or (z) 11:00 A.M. (New York City time) on the first Business Day prior to the date of the proposed Revolving Credit Borrowing in the case of a Revolving Credit Borrowing consisting of Base Rate Advances, by the Borrower to the Agent (and, in the case of a Revolving Credit Borrowing consisting of Eurocurrency Rate Advances, simultaneously to the Sub-Agent), which shall give to each Lender prompt notice thereof by telecopier. Each such notice of a Revolving Credit Borrowing (a “Notice of Revolving Credit Borrowing”) shall be by telephone, confirmed immediately in writing, or telecopier in substantially the form of Exhibit B-1 hereto, specifying therein the requested (i) date of such Revolving Credit Borrowing, (ii) Type of Advances comprising such Revolving Credit Borrowing, (iii) aggregate amount of such Revolving Credit Borrowing, and (iv) in the case of a Revolving Credit Borrowing consisting of Eurocurrency Rate Advances, initial Interest Period and currency for each such Revolving Credit Advance. Each Lender shall, before 11:00 A.M. (New York City time) on the date of such Revolving Credit Borrowing, in the case of a Revolving Credit Borrowing consisting of Advances denominated in Dollars, and before 4:00 P.M. (London time) on the date of such Revolving Credit Borrowing, in the case of a Revolving Credit Borrowing consisting of Eurocurrency Rate Advances denominated in any Committed Currency, make available for the account of its Applicable Lending Office to the Agent at the applicable Agent’s Account, in same day funds, such Lender’s ratable portion of such Revolving Credit Borrowing. After the Agent’s receipt of such funds and upon fulfillment of the applicable conditions set forth in Article III, the Agent will make such funds available to the Borrower at the Agent’s address referred to in Section 8.02(a) or at the applicable Payment Office, as the case may be.

(b) Anything in subsection (a) above to the contrary notwithstanding, (i) the Borrower may not select Eurocurrency Rate Advances for any Revolving Credit Borrowing if the aggregate amount of such Revolving Credit Borrowing is less than \$10,000,000 or if the obligation of the Lenders to make Eurocurrency Rate Advances shall then be suspended pursuant to Section 2.08 or 2.12 and (ii) the Eurocurrency Rate Advances may not be outstanding as part of more than six separate Revolving Credit Borrowings.

(c) Each Notice of Revolving Credit Borrowing shall be irrevocable and binding on the Borrower. In the case of any Revolving Credit Borrowing that the related Notice of Revolving Credit Borrowing specifies is to be comprised of Eurocurrency Rate Advances, the Borrower shall indemnify each Lender against any loss, cost or expense incurred by such Lender as a result of any failure to fulfill on or before the date specified in such Notice of Revolving Credit Borrowing for such Revolving Credit Borrowing the applicable conditions set forth in Article III, including, without limitation, any loss (including loss of anticipated profits), cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by such Lender to fund the Revolving Credit Advance to be made by such Lender as part of such Revolving Credit Borrowing when such Revolving Credit Advance, as a result of such failure, is not made on such date.

(d) Unless the Agent shall have received notice from a Lender prior to the date of any Revolving Credit Borrowing that such Lender will not make available to the Agent such Lender’s ratable portion of such Revolving Credit Borrowing, the Agent may assume that such Lender has made such portion available to the Agent on the date of such Revolving Credit Borrowing in accordance with subsection (a) of this Section 2.02 and the Agent may, in reliance

upon such assumption, make available to the Borrower on such date a corresponding amount. If and to the extent that such Lender shall not have so made such ratable portion available to the Agent, such Lender and the Borrower severally agree to repay to the Agent forthwith on demand such corresponding amount together with interest thereon, for each day from the date such amount is made available to the Borrower until the date such amount is repaid to the Agent, at (i) in the case of the Borrower, the higher of (A) the interest rate applicable at the time to Revolving Credit Advances comprising such Revolving Credit Borrowing and (B) the cost of funds incurred by the Agent in respect of such amount and (ii) in the case of such Lender, (A) the Federal Funds Rate in the case of Advances denominated in Dollars or (B) the cost of funds incurred by the Agent in respect of such amount in the case of Advances denominated in Committed Currencies. If such Lender shall repay to the Agent such corresponding amount, such amount so repaid shall constitute such Lender's Revolving Credit Advance as part of such Revolving Credit Borrowing for purposes of this Agreement.

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(e) The failure of any Lender to make the Revolving Credit Advance to be made by it as part of any Revolving Credit Borrowing shall not relieve any other Lender of its obligation, if any, hereunder to make its Revolving Credit Advance on the date of such Revolving Credit Borrowing, but no Lender shall be responsible for the failure of any other Lender to make the Revolving Credit Advance to be made by such other Lender on the date of any Revolving Credit Borrowing.

SECTION 2.03. The Competitive Bid Advances. (a) Each Lender severally agrees that the Borrower may make Competitive Bid Borrowings under this Section 2.03 from time to time on any Business Day during the period from the date hereof until the date occurring 30 days prior to the Termination Date in the manner set forth below; provided that, following the making of each Competitive Bid Borrowing, the aggregate amount of the Advances then outstanding (based in respect of any Advance denominated in a Foreign Currency on the Equivalent in Dollars at the time such Competitive Bid Borrowing is requested) shall not exceed the aggregate amount of the Commitments of the Lenders (computed without regard to any Competitive Bid Reduction); provided further that following the making of each Competitive Bid Borrowing, the aggregate amount of the Advances then outstanding (based in respect of any Advance denominated in a Foreign Currency on the Equivalent in Dollars at the time such Competitive Bid Borrowing is requested) shall not exceed the aggregate amount of one third of the Commitments of the Lenders (computed without regard to any Competitive Bid Reduction).

(i) The Borrower may request a Competitive Bid Borrowing under this Section 2.03 by delivering to the Agent (and, in the case of a Competitive Bid Borrowing not consisting of Fixed Rate Advances or LIBO Rate Advances to be denominated in Dollars, simultaneously to the Sub-Agent), by telecopier, a notice of a Competitive Bid Borrowing (a "Notice of Competitive Bid Borrowing"), in substantially the form of Exhibit B-2 hereto, specifying therein the requested (A) date of such proposed Competitive Bid Borrowing, (B) aggregate amount of such proposed Competitive Bid Borrowing, (C) interest rate basis and day count convention to be offered by the Lenders, (D) currency of such proposed Competitive Bid Borrowing, (E) in the case of a Competitive Bid Borrowing consisting of LIBO Rate Advances, Interest Period, or in the case of a Competitive Bid Borrowing consisting of Fixed Rate Advances or Local Rate Advances, maturity date for repayment of each Fixed Rate Advance or Local Rate Advance to be made as part of such Competitive Bid Borrowing (which maturity date may not be earlier than the date occurring seven days after the date of such Competitive Bid Borrowing or later than the earlier of (I) 180 days after the date of such Competitive Bid Borrowing and (II) the Termination Date), (F) interest payment date or dates relating thereto, (G) location of the Borrower's account to which funds are to be advanced and (H) other terms (if any) to be applicable to such Competitive Bid Borrowing, not later than (w) 10:00 A.M. (New York City time) at least two Business Days prior to the date of the proposed Competitive Bid Borrowing, if the Borrower shall specify in the Notice of Competitive Bid Borrowing that the rates of interest to be offered by the Lenders shall be fixed rates per annum (the Advances comprising any such Competitive Bid Borrowing being referred to herein as "Fixed Rate Advances") and that the Advances comprising such proposed Competitive Bid Borrowing shall be denominated in Dollars, (x) 10:00 A.M. (New York City time) at least four Business Days prior to the date of the proposed Competitive Bid Borrowing, if the Borrower shall specify in the Notice of Competitive Bid Borrowing that the Advances comprising such Competitive Bid Borrowing shall be LIBO Rate Advances denominated in Dollars, (y) 10:00 A.M. (London time) at least two Business Days prior to the date of the proposed Competitive Bid Borrowing, if the Borrower shall specify in the Notice of Competitive Bid Borrowing that the Advances comprising such proposed Competitive Bid Borrowing shall be either Fixed Rate Advances denominated in any Foreign Currency or Local Rate Advances denominated in any Foreign Currency and (z) 10:00 A.M. (London time) at least four Business Days prior to the date of the proposed Competitive Bid Borrowing, if the Borrower shall instead specify in the Notice of Competitive Bid Borrowing that the Advances comprising such Competitive Bid Borrowing shall be LIBO Rate Advances denominated in any Foreign Currency. The Agent shall in turn promptly notify each Lender of each request for a Competitive Bid Borrowing received by it from the Borrower by sending such Lender a copy of the related Notice of Competitive Bid Borrowing.

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(ii) Each Lender may, if, in its sole discretion, it elects to do so, irrevocably offer to make one or more Competitive Bid Advances to the Borrower as part of such proposed Competitive Bid Borrowing at a rate or rates of interest specified by such Lender in its sole discretion, by notifying the Agent or the Sub-Agent, as the case may be (which shall give prompt notice thereof to the Borrower), (A) before 9:30 A.M. (New York City time) on the date of such proposed Competitive Bid Borrowing, in the case of a Competitive Bid Borrowing consisting of Fixed Rate Advances denominated in Dollars, (B) before 10:00 A.M. (New York City time) three Business Days before the date of such proposed Competitive Bid Borrowing, in the case of a Competitive Bid Borrowing consisting of LIBO Rate Advances, denominated in Dollars, (C) before 12:00 noon (London time) on the Business Day prior to the date of such proposed Competitive Bid Borrowing, in the case of a Competitive Bid Borrowing consisting of either Fixed Rate Advances denominated in any Foreign Currency or Local Rate Advances denominated in any Foreign Currency and (D) before 12:00 noon (London time) on the third Business Day prior to the date of such proposed Competitive Bid Borrowing, in the case of a Competitive Bid Borrowing consisting of LIBO Rate Advances denominated in any Foreign Currency, of the minimum amount and maximum amount of each Competitive Bid Advance which such Lender would be willing to make as part of such proposed Competitive Bid Borrowing (which amounts or the Equivalent thereof in Dollars, as the case may be, of such proposed Competitive Bid may, subject to the provisos to the first sentence of this Section 2.03(a), exceed such Lender's Commitment, if any), the rate or rates of interest therefor and such Lender's Applicable Lending Office with respect to such Competitive Bid Advance; provided that if the Agent in its capacity as a Lender shall, in its sole discretion, elect to make any such offer, it shall notify the Borrower of such offer at least 30 minutes before the time and on the date on which notice of such election is to be given to the Agent or to the Sub-Agent, as the case may be, by the other Lenders. If any Lender shall elect not to make such an offer, such Lender shall so notify the Agent before 10:00 A.M. (New York City time) or the Sub-Agent before 12:00 noon (London time) on the date on which notice of such election is to be given to the Agent or to the Sub-Agent, as the case may be, by the other Lenders, and such Lender shall not be obligated to, and shall not, make any Competitive Bid Advance as part of such Competitive Bid Borrowing; provided that the failure by any Lender to give such notice shall not cause such Lender to be obligated to make any Competitive Bid Advance as part of such proposed Competitive Bid Borrowing.

(iii) The Borrower shall, in turn, (A) before 10:30 A.M. (New York City time) on the date of such proposed Competitive Bid Borrowing, in the case of a Competitive Bid Borrowing consisting of Fixed Rate Advances denominated in Dollars, (B) before 11:00 A.M. (New York City time) three Business Days before the date of such proposed Competitive Bid Borrowing, in the case of a Competitive Bid Borrowing consisting of LIBO Rate Advances denominated in Dollars, (C) before 3:00 P.M. (London time) on the Business Day prior to the date of such proposed Competitive Bid Borrowing, in the case of a Competitive Bid Borrowing consisting of either Fixed Rate Advances denominated in any Foreign Currency or Local Rate Advances denominated in any Foreign Currency and (D) before 3:00 P.M. (London time) on the third Business Day prior to the date of such Competitive Bid Borrowing, in the case of a Competitive Bid Borrowing consisting of LIBO Rate Advances denominated in any Foreign Currency, either:

(x) cancel such Competitive Bid Borrowing by giving the Agent notice to that effect, or

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(y) accept one or more of the offers made by any Lender or Lenders pursuant to paragraph (ii) above, in its sole discretion, by giving notice to the Agent or to the Sub-Agent, as the case may be, of the amount of each Competitive Bid Advance (which amount shall be equal to or greater than the minimum amount, and equal to or less than the maximum amount, notified to the Borrower by the Agent or the Sub-Agent, as the case may be, on behalf of such Lender for such Competitive Bid Advance pursuant to paragraph (ii) above) to be made by each Lender as part of such Competitive Bid Borrowing, and reject any remaining offers made by Lenders pursuant to paragraph (ii) above by giving the Agent or the Sub-Agent, as the case may be, notice to that effect. The Borrower shall accept the offers made by any Lender or Lenders to make Competitive Bid Advances in order of the lowest to the highest rates of interest offered by such Lenders. If two or more Lenders have offered the same interest rate, the amount to be borrowed at such interest rate will be allocated among such Lenders in proportion to the amount that each such Lender offered at such interest rate.

(iv) If the Borrower notifies the Agent or the Sub-Agent, as the case may be, that such Competitive Bid Borrowing is cancelled pursuant to paragraph (iii)(x) above, the Agent or the Sub-Agent, as the case may be, shall give prompt notice thereof to the Lenders and such Competitive Bid Borrowing shall not be made.

(v) If the Borrower accepts one or more of the offers made by any Lender or Lenders pursuant to paragraph (iii)(y) above, the Agent or the Sub-Agent, as the case may be, shall in turn promptly notify (A) each Lender that has made an offer as described in paragraph (ii) above, of the date and aggregate amount of such Competitive Bid Borrowing and whether or not any offer or offers made by such Lender pursuant to paragraph (ii) above have been accepted by the Borrower, (B) each Lender that is to make a Competitive Bid Advance as part of such Competitive Bid Borrowing, of the amount of each Competitive Bid Advance to be made by such Lender as part of such Competitive Bid Borrowing, and (C) each Lender that is to make a Competitive Bid Advance as part of such Competitive Bid Borrowing, upon receipt, that the Agent or the Sub-Agent, as the case may be, has received forms of documents appearing to fulfill the applicable conditions set forth in Article III. Each Lender that is to make a Competitive Bid Advance as part of such Competitive Bid Borrowing shall, before 11:00 A.M. (New York City time), in the case of Competitive Bid Advances to be denominated in Dollars or 11:00 A.M. (London time), in the case of Competitive Bid Advances to be denominated in any Foreign Currency, on the date of such Competitive Bid Borrowing specified in the notice received from the Agent or the Sub-Agent, as the case may be, pursuant to clause (A) of the preceding sentence or any later time when such Lender shall have received notice from the Agent or the Sub-Agent, as the case may be pursuant to clause (C) of the preceding sentence, make available for the account of its Applicable Lending Office to the Agent(x) in the case of a Competitive Bid Borrowing denominated in Dollars, at its address referred to in Section 8.02(a), in same day funds, such Lender's portion of such Competitive Bid Borrowing in Dollars and (y) in the case of a Competitive Bid Borrowing in a Foreign Currency, at the Payment Office for such Foreign Currency as shall have been notified by the Agent to the Lenders prior thereto, in same day funds, such Lender's portion of such Competitive Bid Borrowing in such Foreign Currency. Upon fulfillment of the applicable conditions set forth in Article III and after receipt by the Agent of such funds, the Agent will make such funds available to the Borrower at the location specified by the Borrower in its Notice of Competitive Bid Borrowing. Promptly after each Competitive Bid Borrowing the Agent will notify each Lender of the amount of the Competitive Bid Borrowing, the consequent Competitive Bid Reduction and the dates upon which such Competitive Bid Reduction commenced and will terminate.

(vi) If the Borrower notifies the Agent or the Sub-Agent, as the case may be, that it accepts one or more of the offers made by any Lender or Lenders pursuant to paragraph (iii)(y) above, such notice of acceptance shall be irrevocable and binding on the Borrower. The Borrower shall indemnify each Lender against any loss, cost or expense incurred by such Lender as a result of any failure to fulfill on or before the date specified in the related Notice of Competitive Bid Borrowing for such Competitive Bid Borrowing the applicable conditions set forth in Article III, including, without limitation, any loss (including loss of anticipated profits), cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by such Lender to fund the Competitive Bid Advance to be made by such Lender as part of such Competitive Bid Borrowing when such Competitive Bid Advance, as a result of such failure, is not made on such date.

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(b) Each Competitive Bid Borrowing shall be in an aggregate amount of \$10,000,000 (or the Equivalent thereof in any Foreign Currency, determined as of the time of the applicable Notice of Competitive Bid Borrowing) or an integral multiple of \$1,000,000 (or the Equivalent thereof in any Foreign Currency, determined as of the time of the applicable Notice of Competitive Bid Borrowing) in excess thereof and, following the making of each Competitive Bid Borrowing, the Borrower shall be in compliance with the limitations set forth in the provisos to the first sentence of subsection (a) above.

(c) Within the limits and on the conditions set forth in this Section 2.03, the Borrower may from time to time borrow under this Section 2.03, repay or prepay pursuant to subsection (d) below, and reborrow under this Section 2.03, provided that a Competitive Bid Borrowing shall not be made within three Business Days of the date of any other Competitive Bid Borrowing.

(d) The Borrower shall repay to the Agent for the account of each Lender that has made a Competitive Bid Advance, on the maturity date of each Competitive Bid Advance (such maturity date being that specified by the Borrower for repayment of such Competitive Bid Advance in the related Notice of Competitive Bid Borrowing delivered pursuant to subsection (a)(i) above and provided in the Competitive Bid Note evidencing such Competitive Bid Advance), the then unpaid principal amount of such Competitive Bid Advance. The Borrower shall have no right to prepay any principal amount of any Competitive Bid Advance unless, and then only on the terms, specified by the Borrower for such Competitive Bid Advance in the related Notice of Competitive Bid Borrowing delivered pursuant to subsection (a)(i) above and set forth in the Competitive Bid Note evidencing such Competitive Bid

Advance.

(e) The Borrower shall pay interest on the unpaid principal amount of each Competitive Bid Advance from the date of such Competitive Bid Advance to the date the principal amount of such Competitive Bid Advance is repaid in full, at the rate of interest for such Competitive Bid Advance specified by the Lender making such Competitive Bid Advance in its notice with respect thereto delivered pursuant to subsection (a)(ii) above, payable on the interest payment date or dates specified by the Borrower for such Competitive Bid Advance in the related Notice of Competitive Bid Borrowing delivered pursuant to subsection (a)(i) above, as provided in the Competitive Bid Note evidencing such Competitive Bid Advance. Upon the occurrence and during the continuance of an Event of Default, the Borrower shall pay interest on the amount of unpaid principal of and interest on each Competitive Bid Advance owing to a Lender, payable in arrears on the date or dates interest is payable thereon, at a rate per annum equal at all times to 2% per annum above the rate per annum required to be paid on such Competitive Bid Advance under the terms of the Competitive Bid Note evidencing such Competitive Bid Advance unless otherwise agreed in such Competitive Bid Note.

(f) The indebtedness of the Borrower resulting from each Competitive Bid Advance made to the Borrower as part of a Competitive Bid Borrowing shall be evidenced by a separate Competitive Bid Note of the Borrower payable to the order of the Lender making such Competitive Bid Advance.

SECTION 2.04. Fees. (a) Facility Fee. The Borrower agrees to pay to the Agent for the account of each Lender a facility fee on the aggregate amount of such Lender's Commitment from the Effective Date in the case of each Initial Lender and from the later of the Effective Date and the effective date specified in the Assumption Agreement or in the Assignment and Acceptance pursuant to which it became a Lender in the case of each other Lender until the Termination Date at a rate per annum equal to the Applicable Percentage in effect from time to time, payable in arrears quarterly on the last day of each March, June, September and December, commencing September 30, 2004, and on the Termination Date.

(b) Agent's Fees. The Borrower shall pay to the Agent for its own account such fees as may from time to time be agreed between the Borrower and the Agent.

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SECTION 2.05. Optional Termination or Reduction of the Commitments. The Borrower shall have the right, upon at least three Business Days' notice to the Agent, to terminate in whole or reduce ratably in part the unused portions of the respective Commitments of the Lenders, provided that each partial reduction shall be in the aggregate amount of \$10,000,000 or an integral multiple of \$1,000,000 in excess thereof and provided further that the aggregate amount of the Commitments of the Lenders shall not be reduced to an amount that is less than the aggregate principal amount of the Competitive Bid Advances denominated in Dollars then outstanding plus the Equivalent in Dollars (determined as of the date of the notice of prepayment) of the aggregate principal amount of the Competitive Bid Advances denominated in Foreign Currencies then outstanding.

SECTION 2.06. Repayment of Revolving Credit Advances. The Borrower shall repay to the Agent for the ratable account of the Lenders on the Termination Date the aggregate principal amount of the Revolving Credit Advances then outstanding.

SECTION 2.07. Interest on Revolving Credit Advances. (a) Scheduled Interest. The Borrower shall pay interest on the unpaid principal amount of each Revolving Credit Advance owing to each Lender from the date of such Revolving Credit Advance until such principal amount shall be paid in full, at the following rates per annum:

(i) Base Rate Advances. During such periods as such Revolving Credit Advance is a Base Rate Advance, a rate per annum equal at all times to the sum of (x) the Base Rate in effect from time to time plus (y) the Applicable Margin in effect from time to time plus (z) the Applicable Utilization Fee in effect from time to time, payable in arrears quarterly on the last day of each March, June, September and December during such periods and on the date such Base Rate Advance shall be Converted or paid in full.

(ii) Eurocurrency Rate Advances. During such periods as such Revolving Credit Advance is a Eurocurrency Rate Advance, a rate per annum equal at all times during each Interest Period for such Revolving Credit Advance to the sum of (x) the Eurocurrency Rate for such Interest Period for such Revolving Credit Advance plus (y) the Applicable Margin in effect from time to time plus (z) the Applicable Utilization Fee in effect from time to time, payable in arrears on the last day of such Interest Period and, if such Interest Period has a duration of more than three months, on each day that occurs during such Interest Period every three months from the first day of such Interest Period and on the date such Eurocurrency Rate Advance shall be Converted or paid in full.

(b) Default Interest. Upon the occurrence and during the continuance of an Event of Default, the Borrower shall pay interest on (i) the unpaid principal amount of each Revolving Credit Advance owing to each Lender, payable in arrears on the dates referred to in clause (a)(i) or (a)(ii) above, at a rate per annum equal at all times to 2% per annum above the rate per annum required to be paid on such Revolving Credit Advance pursuant to clause (a)(i) or (a)(ii) above and (ii) to the fullest extent permitted by law, the amount of any interest, fee or other amount payable hereunder that is not paid when due, from the date such amount shall be due until such amount shall be paid in full, payable in arrears on the date such amount shall be paid in full and on demand, at a rate per annum equal at all times to 2% per annum above the rate per annum required to be paid on Base Rate Advances pursuant to clause (a)(i) above.

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SECTION 2.08. Interest Rate Determination. (a) The Agent shall give prompt notice to the Borrower and the Lenders of the applicable interest rate determined by the Agent for purposes of Section 2.07(a)(i) or (ii), and the rate, if any, furnished by each Reference Bank for the purpose of determining the interest rate under Section 2.07(a)(ii).

(b) If, with respect to any Eurocurrency Rate Advances, the Required Lenders notify the Agent that (i) they are unable to obtain matching deposits in the London inter-bank market at or about 11:00 A.M. (London time) on the second Business Day before the making of a Borrowing in sufficient amounts to fund their respective Revolving Credit Advances as a part of such Borrowing during its Interest Period or (ii) the Eurocurrency Rate for any Interest Period for such Advances will not adequately reflect the cost to such Required Lenders of making, funding or maintaining their respective Eurocurrency Rate Advances for such Interest Period, the Agent shall forthwith so notify the Borrower and the Lenders, whereupon (A) the Borrower will, on the last day of the then existing Interest Period therefor, (1) if such Eurocurrency Rate Advances are denominated in Dollars, either (x) prepay such Advances or (y) Convert such Advances into Base Rate Advances and (2) if such Eurocurrency Rate Advances are denominated in any Committed Currency, either (x) prepay such Advances or (y) exchange such Advances into an Equivalent amount of Dollars and Convert such Advances into Base Rate Advances and (B) the obligation

of the Lenders to make, or to Convert Revolving Credit Advances into, Eurocurrency Rate Advances shall be suspended until the Agent shall notify the Borrower and the Lenders that the circumstances causing such suspension no longer exist; provided that, if the circumstances set forth in clause (ii) above are applicable, the Borrower may elect, by notice to the Agent and the Lenders, to continue such Advances in such Committed Currency for Interest Periods of not longer than one month, which Advances shall thereafter bear interest at a rate per annum equal to the Applicable Margin plus, for each Lender, the cost to such Lender (expressed as a rate per annum) of funding its Eurocurrency Rate Advances by whatever means it reasonably determines to be appropriate. Each Lender shall certify its cost of funds for each Interest Period to the Agent and the Borrower as soon as practicable (but in any event not later than ten Business Days after the first day of such Interest Period).

(c) If the Borrower shall fail to select the duration of any Interest Period for any Eurocurrency Rate Advances in accordance with the provisions contained in the definition of "Interest Period" in Section 1.01, the Agent will forthwith so notify the Borrower and the Lenders and such Advances will automatically, on the last day of the then existing Interest Period therefor, be continued as Eurocurrency Rate Advances having an interest period of one month.

(d) On the date on which the aggregate unpaid principal amount of Eurocurrency Rate Advances comprising any Borrowing shall be reduced, by payment or prepayment or otherwise, to less than \$10,000,000, such Advances shall automatically Convert into Base Rate Advances.

(e) Upon the occurrence and during the continuance of any Event of Default, (i) each Eurocurrency Rate Advance will automatically, on the last day of the then existing Interest Period therefor, (A) if such Eurocurrency Rate Advances are denominated in Dollars, be Converted into Base Rate Advances and (B) if such Eurocurrency Rate Advances are denominated in any Committed Currency, be exchanged into an Equivalent amount of Dollars and be Converted into Base Rate Advances and (ii) the obligation of the Lenders to make, or to Convert Advances into, Eurocurrency Rate Advances shall be suspended; provided that Borrower may elect, by notice to the Agent and the Lenders within one Business Day of such Event of Default, to continue such Advances in such Committed Currency, whereupon the Agent may require that each Interest Period relating to such Eurocurrency Rate Advances shall bear interest at the Overnight Eurocurrency Rate for a period of three Business Days and thereafter, each such Interest Period shall have a duration of not longer than one month. "Overnight Eurocurrency Rate" means the rate per annum applicable to an overnight period beginning on one Business Day and ending on the next Business Day equal to the sum of 1%, the Applicable Interest Rate Margin and the average, rounded upward to the nearest whole multiple of 1/16 of 1%, if such average is not such a multiple, of the respective rates per annum quoted by each Reference Bank to the Agent on request as the rate at which it is offering overnight deposits in the relevant currency in amounts comparable to such Reference Bank's Eurocurrency Rate Advances.

(f) If Moneyline Telerate Service Page 3750 is unavailable and fewer than two Reference Banks furnish timely information to the Agent for determining the Eurocurrency Rate or LIBO Rate for any Eurocurrency Rate Advances or LIBO Rate Advances, as the case may be,

(i) the Agent shall forthwith notify the Borrower and the Lenders that the interest rate cannot be determined for such Eurocurrency Rate Advances or LIBO Rate Advances, as the case may be,

(ii) with respect to Eurocurrency Rate Advances, each such Advance will automatically, on the last day of the then existing Interest Period therefor, (A) if such Eurocurrency Rate Advance is denominated in Dollars, be prepaid by the Borrower or be automatically Converted into a Base Rate Advance and (B) if such Eurocurrency Rate Advance is denominated in any Committed Currency, be prepaid by the Borrower or be automatically exchanged into an Equivalent amount of Dollars and be Converted into a Base Rate Advance (or if such Advance is then a Base Rate Advance, will continue as a Base Rate Advance), and

(iii) the obligation of the Lenders to make Eurocurrency Rate Advances or LIBO Rate Advances or to Convert Revolving Credit Advances into Eurocurrency Rate Advances shall be suspended until the Agent shall notify the Borrower and the Lenders that the circumstances causing such suspension no longer exist.

SECTION 2.09. Optional Conversion of Revolving Credit Advances. The Borrower may on any Business Day, upon notice given to the Agent not later than 11:00 A.M. (New York City time) on the third Business Day prior to the date of the proposed Conversion and subject to the provisions of Sections 2.08 and 2.12, Convert all Revolving Credit Advances denominated in Dollars of one Type comprising the same Borrowing into Revolving Credit Advances denominated in Dollars of the other Type; provided, however, that any Conversion of Eurocurrency Rate Advances into Base Rate Advances shall be made only on the last day of an Interest Period for such Eurocurrency Rate Advances, any Conversion of Base Rate Advances into Eurocurrency Rate Advances shall be in an amount not less than the minimum amount specified in Section 2.02(b) and no Conversion of any Revolving Credit Advances shall result in more separate Revolving Credit Borrowings than permitted under Section 2.02(b). Each such notice of a Conversion shall, within the restrictions specified above, specify (i) the date of such Conversion, (ii) the Dollar denominated Revolving Credit Advances to be Converted, and (iii) if such Conversion is into Eurocurrency Rate Advances, the duration of the initial Interest Period for each such Advance. Each notice of Conversion shall be irrevocable and binding on the Borrower.

SECTION 2.10. Prepayments of Revolving Credit Advances. (a) Optional. The Borrower may, upon notice at least two Business Days' prior to the date of such prepayment, in the case of Eurocurrency Rate Advances, and not later than 11:00 A.M. (New York City time) on the date of such prepayment, in the case of Base Rate Advances, to the Agent stating the proposed date and aggregate principal amount of the prepayment, and if such notice is given the Borrower shall, prepay the outstanding principal amount of the Revolving Credit Advances comprising part of the same Revolving Credit Borrowing in whole or ratably in part without premium or penalty, together with accrued interest to the date of such prepayment on the principal amount prepaid; provided, however, that (x) each partial prepayment shall be in an aggregate principal amount of \$10,000,000 or an integral multiple of \$1,000,000 in excess thereof or the Equivalent thereof in a Committed Currency (determined on the date notice of prepayment is given) and (y) in the event of any such prepayment of a Eurocurrency Rate Advance, the Borrower shall be obligated to reimburse the Lenders in respect thereof pursuant to Section 8.04(c).

(b) Mandatory Prepayments. (i) If the Agent notifies the Borrower that, on any interest payment date, the sum of (A) the aggregate principal amount of all Advances denominated in Dollars then outstanding plus (B) the Equivalent in Dollars (determined on the third Business Day prior to such interest payment date) of the aggregate principal amount of all Advances denominated in Foreign Currencies then outstanding exceeds 103% of the aggregate Commitments of the Lenders on such date, the Borrower shall, within two Business Days after receipt of such notice, prepay the outstanding principal amount of any Advances owing by the Borrower in an aggregate amount sufficient to reduce such sum to an amount not to exceed 100% of the aggregate Commitments of the Lenders on such date.

(ii) Each prepayment made pursuant to this Section 2.10(b) shall be made together with any interest accrued to the date of such prepayment on the

principal amounts prepaid and, in the case of any prepayment of a Eurocurrency Rate Advance, a LIBO Rate Advance or a Local Rate Advance on a date other than the last day of an Interest Period or at its maturity, any additional amounts which the Borrower shall be obligated to reimburse to the Lenders in respect thereof pursuant to Section 8.04(c). The Agent shall give prompt notice of any prepayment required under this Section 2.10(b) to the Borrower and the Lenders.

SECTION 2.11. Increased Costs. (a) If, due to either (i) the introduction of or any change in or in the interpretation of any law or regulation or (ii) the compliance with any guideline or request issued by any central bank or other governmental authority including, without limitation, any agency of the European Union or similar monetary or multinational authority after the date hereof (whether or not having the force of law), there shall be any increase in the cost to any Lender of agreeing to make or making, funding or maintaining Eurocurrency Rate Advances or LIBO Rate Advances (excluding for purposes of this Section 2.11 any such increased costs resulting from (i) Taxes or Other Taxes (as to which Section 2.14 shall govern) and (ii) changes in the basis of taxation of overall net income or overall gross income by the United States or by the foreign jurisdiction or state under the laws of which such Lender is organized or is otherwise subject to tax), then the Borrower shall from time to time, upon demand by such Lender (with a copy of such demand to the Agent), pay to the Agent for the account of such Lender additional amounts sufficient to compensate such Lender for such increased cost, provided that the Borrower shall not be required to pay any such additional amounts to the extent such additional amounts accrued prior to the date that is six months prior to the date of such notice. A certificate in reasonable detail as to the amount of such increased cost, submitted to the Borrower and the Agent by such Lender contemporaneously with the demand for payment, shall be conclusive and binding for all purposes, absent manifest error.

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(b) If any Lender determines that compliance with any law or regulation or any guideline or request from any central bank or other governmental authority (whether or not having the force of law) affects or would affect the amount of capital required or expected to be maintained by such Lender or any corporation controlling such Lender and that the amount of such capital is increased by or based upon the existence of such Lender's commitment to lend hereunder and other commitments of this type, then, upon demand by such Lender (with a copy of such demand to the Agent), the Borrower shall pay to the Agent for the account of such Lender, from time to time as specified by such Lender, additional amounts sufficient to compensate such Lender or such corporation in the light of such circumstances, to the extent that such Lender reasonably determines such increase in capital to be allocable to the existence of such Lender's commitment to lend hereunder. A certificate in reasonable detail as to such amounts submitted to the Borrower and the Agent by such Lender contemporaneously with the demand for payment shall be conclusive and binding for all purposes, absent manifest error.

SECTION 2.12. Illegality. Notwithstanding any other provision of this Agreement, if any Lender shall notify the Agent that the introduction of or any change in or in the interpretation of any law or regulation makes it unlawful, or any central bank or other governmental authority asserts that it is unlawful, for any Lender or its Eurocurrency Lending Office to perform its obligations hereunder to make Eurocurrency Rate Advances in Dollars or any Committed Currency or LIBO Rate Advances in Dollars or any Foreign Currency or to fund or maintain Eurocurrency Rate Advances in Dollars or any Committed Currency or LIBO Rate Advances in Dollars or any Foreign Currency hereunder, (a) each Eurocurrency Rate Advance or LIBO Rate Advance, as the case may be, will automatically, upon such demand, (i) if such Eurocurrency Rate Advance or LIBO Rate Advance is denominated in Dollars, be Converted into a Base Rate Advance or an Advance that bears interest at the rate set forth in Section 2.07(a)(i), as the case may be, and (ii) if such Eurocurrency Rate Advance or LIBO Rate Advance is denominated in any Foreign Currency, be exchanged into an Equivalent amount of Dollars and be Converted into a Base Rate Advance or an Advance that bears interest at the rate set forth in Section 2.07(a)(i), as the case may be, and (b) the obligation of the Lenders to make Eurocurrency Rate Advances or LIBO Rate Advances or to Convert Revolving Credit Advances into Eurocurrency Rate Advances shall be suspended until the Agent shall notify the Borrower and the Lenders that the circumstances causing such suspension no longer exist.

SECTION 2.13. Payments and Computations. (a) The Borrower shall make each payment hereunder, except with respect to principal of, interest on, and other amounts relating to, Advances denominated in a Foreign Currency, not later than 11:00 A.M. (New York City time) on the day when due in Dollars to the Agent at the applicable Agent's Account in same day funds. The Borrower shall make each payment hereunder with respect to principal of, interest on, and other amounts relating to, Advances denominated in a Foreign Currency, not later than 11:00 A.M. (at the Payment Office for such Foreign Currency) on the day when due in such Foreign Currency to the Agent, by deposit of such funds to the applicable Agent's Account in same day funds. The Agent will promptly thereafter cause to be distributed like funds relating to the payment of principal or interest or facility fees ratably (other than amounts payable pursuant to Section 2.03, 2.11, 2.14 or 8.04(c)) to the Lenders for the account of their respective Applicable Lending Offices, and like funds relating to the payment of any other amount payable to any Lender to such Lender for the account of its Applicable Lending Office, in each case to be applied in accordance with the terms of this Agreement. Upon any Assuming Lender becoming a Lender hereunder as a result of Commitment Increase pursuant to Section 2.18, and upon the Agent's receipt of such Lender's Assumption Agreement and recording of the information contained therein in the Register, from and after the applicable Increase Date, the Agent shall make all payments hereunder and under any Notes issued in connection therewith in respect of the interest assumed thereby to the Assuming Lender. Upon its acceptance of an Assignment and Acceptance and recording of the information contained therein in the Register pursuant to Section 8.07(c), from and after the effective date specified in such Assignment and Acceptance, the Agent shall make all payments hereunder and under the Notes in respect of the interest assigned thereby to the Lender assignee thereunder, and the parties to such Assignment and Acceptance shall make all appropriate adjustments in such payments for periods prior to such effective date directly between themselves.

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(b) The Borrower hereby authorizes each Lender, if and to the extent payment owed to such Lender is not made when due hereunder or under the Note held by such Lender, to charge from time to time against any or all of the Borrower's accounts with such Lender any amount so due. Each Lender that charges an account of the Borrower in accordance with this Section agrees to promptly so notify the Borrower, provided that the failure to give such notice shall not affect the validity of such charge.

(c) All computations of interest based on the Base Rate shall be made by the Agent on the basis of a year of 365 or 366 days, as the case may be, all computations of interest based on the Eurocurrency Rate or the Federal Funds Rate and of facility fees shall be made by the Agent on the basis of a year of 360 days and computations in respect of Competitive Bid Advances shall be made by the Agent or the Sub-Agent, as the case may be, as specified in the applicable Notice of Competitive Bid Borrowing (or, in each case of Advances denominated in Foreign Currencies where market practice differs, in accordance with market practice), in each case for the actual number of days (including the first day but excluding the last day) occurring in the period for which such interest or facility fees are payable. Each determination by the Agent of an interest rate hereunder shall be conclusive and binding for all purposes, absent manifest error.

(d) Whenever any payment hereunder or under the Notes shall be stated to be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day, and such extension of time shall in such case be included in the computation of payment of interest or facility fee, as the case may be; provided, however, that, if such extension would cause payment of interest on or principal of Eurocurrency Rate Advances or LIBO Rate

Advances to be made in the next following calendar month, such payment shall be made on the next preceding Business Day.

(e) Unless the Agent shall have received notice from the Borrower prior to the date on which any payment is due to the Lenders hereunder that the Borrower will not make such payment in full, the Agent may assume that the Borrower has made such payment in full to the Agent on such date and the Agent may, in reliance upon such assumption, cause to be distributed to each Lender on such due date an amount equal to the amount then due such Lender. If and to the extent the Borrower shall not have so made such payment in full to the Agent, each Lender shall repay to the Agent forthwith on demand such amount distributed to such Lender together with interest thereon, for each day from the date such amount is distributed to such Lender until the date such Lender repays such amount to the Agent, at (i) the Federal Funds Rate in the case of Advances denominated in Dollars or (ii) the cost of funds incurred by the Agent in respect of such amount in the case of Advances denominated in Foreign Currencies.

SECTION 2.14. Taxes. (a) Any and all payments by the Borrower hereunder or under the Notes shall be made, in accordance with Section 2.13, free and clear of and without deduction for any and all present or future taxes, levies, imposts, deductions, charges or withholdings, and all liabilities with respect thereto, excluding, in the case of each Lender and the Agent, taxes imposed on its overall net income, and franchise taxes imposed on it in lieu of net income taxes, by the jurisdictions in which such Lender or the Agent (as the case may be) is otherwise subject to tax (all such non-excluded taxes, levies, imposts, deductions, charges, withholdings and liabilities in respect of payments hereunder or under the Notes being hereinafter referred to as "Taxes"). If the Borrower shall be required by law to deduct any Taxes from or in respect of any sum payable hereunder or under any Note to any Lender or the Agent, (i) the sum payable shall be increased as may be necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 2.14) such Lender or the Agent (as the case may be) receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Borrower shall make such deductions and (iii) the Borrower shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law.

(b) In addition, the Borrower shall pay any present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies that arise from any payment made hereunder or under the Notes or from the execution, delivery or registration of, performing under, or otherwise with respect to, this Agreement or the Notes (hereinafter referred to as "Other Taxes").

(c) The Borrower shall indemnify each Lender and the Agent for and hold it harmless against the full amount of Taxes or Other Taxes (including, without limitation, taxes of any kind imposed by any jurisdiction on amounts payable under this Section 2.14) imposed on or paid by such Lender or the Agent (as the case may be) and any liability (including penalties, interest and expenses not incurred by reason of gross negligence or willful misconduct on the part of such Lender or the Agent) arising therefrom or with respect thereto. This indemnification shall be made within 30 days from the date such Lender or the Agent (as the case may be) makes written demand therefor.

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(d) Within 30 days after the date of any payment of Taxes, the Borrower shall furnish to the Agent, at its address referred to in Section 8.02(a), the original or a certified copy of a receipt evidencing such payment. In the case of any payment hereunder or under the Notes by or on behalf of the Borrower through an account or branch outside the United States or by or on behalf of the Borrower by a payor that is not a United States person, if the Borrower determines that no Taxes are payable in respect thereof, the Borrower shall furnish, or shall cause such payor to furnish, to the Agent, at such address, an opinion of counsel as requested by and acceptable to the Agent stating that such payment is exempt from Taxes. For purposes of this subsection (d) and subsection (e), the terms "United States" and "United States person" shall have the meanings specified in Section 7701 of the Internal Revenue Code.

(e) Each Lender organized under the laws of a jurisdiction outside the United States, on or prior to the date of its execution and delivery of this Agreement in the case of each Initial Lender and on the date of the Assumption Agreement or the Assignment and Acceptance pursuant to which it becomes a Lender in the case of each other Lender, and from time to time thereafter as requested in writing by the Borrower (but only so long as such Lender remains lawfully able to do so), shall provide each of the Agent and the Borrower with two original Internal Revenue Service forms 1001 or 4224, as appropriate, or any successor or other form prescribed by the Internal Revenue Service, certifying that such Lender is exempt from or entitled to a reduced rate of United States withholding tax on payments pursuant to this Agreement or the Notes. If the form provided by a Lender at the time such Lender first becomes a party to this Agreement indicates a United States interest withholding tax rate in excess of zero, withholding tax at such rate shall be considered excluded from Taxes unless and until such Lender provides the appropriate forms certifying that a lesser rate applies, whereupon withholding tax at such lesser rate only shall be considered excluded from Taxes for periods governed by such form; provided, however, that, if at the date of the Assignment and Acceptance pursuant to which a Lender assignee becomes a party to this Agreement, the Lender assignor was entitled to payments under subsection (a) in respect of United States withholding tax with respect to interest paid at such date, then, to such extent, the term Taxes shall include (in addition to withholding taxes that may be imposed in the future or other amounts otherwise includable in Taxes) United States withholding tax, if any, applicable with respect to the Lender assignee on such date. In addition, each Lender agrees that from time to time after the Effective Date, when a change in circumstances renders the previous certification obsolete or inaccurate in any material respect, it will deliver to the Borrower and the Agent two new accurate and complete original signed copies of Internal Revenue Service Form 4224 or 1001, as the case may be, and such other forms as may be required in order to confirm or establish the entitlement of such Lender to a continued exemption from or reduction in United States withholding tax with respect to payments under this Agreement or any Note, unless any change in treaty, law or regulation has occurred after the date such Lender becomes a party hereunder which renders all such forms inapplicable or which would prevent such Lender from duly completing and delivering any such form with respect to it and such Lender so advises the Borrower and the Agent. If any form or document referred to in this subsection (e) requires the disclosure of information, other than information necessary to compute the tax payable and information required on the date hereof by Internal Revenue Service form 1001 or 4224, that the Lender reasonably considers to be confidential, the Lender shall give notice thereof to the Borrower and shall not be obligated to include in such form or document such confidential information.

(f) Each Initial Lender hereby confirms as of the Effective Date, and each other Lender confirms as of the effective date of the Assignment and Acceptance pursuant to which it becomes a party hereto, in favor of the Agent and the Borrower that either (i) such Lender is not resident in the United Kingdom and is beneficially entitled to the Advances and the interest thereon or (ii) it is a bank as defined for the purposes of Section 349 of the Income and Corporation Taxes Act of 1988 of the United Kingdom and is beneficially entitled to the Advances and the interest thereon, and each Lender agrees to notify the Agent if there is any change in its position from that set forth in this clause (f).

(g) For any period with respect to which a Lender has failed to provide the Borrower with the appropriate form described in Section 2.14(e) (other than if such failure is due to a change in law occurring subsequent to the date on which a form originally was required to be provided, or if such form otherwise is not required under subsection (e) above), such Lender shall not be entitled to indemnification under Section 2.14(a) or (c) with respect to Taxes imposed by the United States by reason of such failure; provided, however, that should a Lender become subject to Taxes because of its failure to deliver a form required hereunder, the Borrower shall take such steps as the Lender shall reasonably request to assist the Lender to recover such Taxes.

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(h) Any Lender claiming any additional amounts payable pursuant to this Section 2.14 agrees to use reasonable efforts (consistent with its internal policy and legal and regulatory restrictions) to change the jurisdiction of its Eurocurrency Lending Office if the making of such a change would avoid the need for, or reduce the amount of, any such additional amounts that may thereafter accrue and would not, in the reasonable judgment of such Lender, be otherwise disadvantageous to such Lender.

SECTION 2.15. Sharing of Payments, Etc. If any Lender shall obtain any payment (whether voluntary, involuntary, through the exercise of any right of set-off, or otherwise) on account of the Revolving Credit Advances owing to it (other than pursuant to Section 2.11, 2.14 or 8.04(c)) in excess of its ratable share of payments on account of the Revolving Credit Advances obtained by all the Lenders, such Lender shall forthwith purchase from the other Lenders such participations in the Revolving Credit Advances owing to them as shall be necessary to cause such purchasing Lender to share the excess payment ratably with each of them; provided, however, that if all or any portion of such excess payment is thereafter recovered from such purchasing Lender, such purchase from each Lender shall be rescinded and such Lender shall repay to the purchasing Lender the purchase price to the extent of such recovery together with an amount equal to such Lender's ratable share (according to the proportion of (i) the amount of such Lender's required repayment to (ii) the total amount so recovered from the purchasing Lender) of any interest or other amount paid or payable by the purchasing Lender in respect of the total amount so recovered. The Borrower agrees that any Lender so purchasing a participation from another Lender pursuant to this Section 2.15 may, to the fullest extent permitted by law, exercise all its rights of payment (including the right of set-off) with respect to such participation as fully as if such Lender were the direct creditor of the Borrower in the amount of such participation.

SECTION 2.16. Evidence of Debt. (a) Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of the Borrower to such Lender resulting from each Revolving Credit Advance owing to such Lender from time to time, including the amounts of principal and interest payable and paid to such Lender from time to time hereunder in respect of Revolving Credit Advances. The Borrower agrees that upon notice by any Lender to the Borrower (with a copy of such notice to the Agent) to the effect that a Revolving Credit Note is required or appropriate in order for such Lender to evidence (whether for purposes of a permitted pledge, enforcement or otherwise) the Revolving Credit Advances owing to, or to be made by, such Lender, the Borrower shall promptly execute and deliver to such Lender a Revolving Credit Note payable to the order of such Lender in a principal amount up to the Commitment of such Lender.

(b) The Register maintained by the Agent pursuant to Section 8.07(d) shall include a control account, and a subsidiary account for each Lender, in which accounts (taken together) shall be recorded (i) the date and amount of each Borrowing made hereunder, the Type of Advances comprising such Borrowing and, if appropriate, the Interest Period applicable thereto, (ii) the terms of each Assumption Agreement and each Assignment and Acceptance delivered to and accepted by it, (iii) the amount of any principal or interest due and payable or to become due and payable from the Borrower to each Lender hereunder and (iv) the amount of any sum received by the Agent from the Borrower hereunder and each Lender's share thereof.

(c) Entries made in good faith by the Agent in the Register pursuant to subsection (b) above, and by each Lender in its account or accounts pursuant to subsection (a) above, shall be prima facie evidence of the amount of principal and interest due and payable or to become due and payable from the Borrower to, in the case of the Register, each Lender and, in the case of such account or accounts, such Lender, under this Agreement, absent manifest error; provided, however, that the failure of the Agent or such Lender to make an entry, or any finding that an entry is incorrect, in the Register or such account or accounts shall not limit or otherwise affect the obligations of the Borrower under this Agreement.

SECTION 2.17. Use of Proceeds. The proceeds of the Advances shall be available (and the Borrower agrees that it shall use such proceeds) solely for general corporate purposes of the Borrower and its Subsidiaries.

SECTION 2.18. Increase in the Aggregate Commitments. (a) The Borrower may, from time to time, by notice to the Agent, request that the aggregate amount of the Commitment be increased by an amount of \$25,000,000 or an integral multiple thereof (each a "Commitment Increase") to be effective as of a date that is at least 90 days prior to the scheduled Termination Date then in effect (the "Increase Date") as specified in the related notice to the Agent; provided, however that (i) in no event shall the aggregate amount of the Commitments at any time exceed \$600,000,000 and (ii) on the date of any request by the Borrower for a Commitment Increase and on the related Increase Date the applicable conditions set forth in Article III shall be satisfied.

(b) The Agent shall promptly notify the Lenders of a request by the Borrower for a Commitment Increase, which notice shall include (i) the proposed amount of such requested Commitment Increase, (ii) the proposed Increase Date and (iii) the date by which Lenders wishing to participate in the Commitment Increase must commit to an increase in the amount of their respective Commitments, which shall be at least five Business Days prior to the Increase Date (the "Commitment Date"). Each Lender that is willing to participate in such requested Commitment Increase (each an "Increasing Lender") shall, in its sole discretion, give written notice to the Agent on or prior to the Commitment Date of the amount by which it is willing to increase its Commitment. If the Lenders notify the Agent that they are willing to increase the amount of their respective Commitments by an aggregate amount that exceeds the amount of the requested Commitment Increase, the requested Commitment Increase shall be allocated among the Lenders willing to participate therein in such amounts as are agreed between the Borrower and the Agent.

(c) Promptly following each Commitment Date, the Agent shall notify the Borrower as to the amount, if any, by which the Lenders are willing to participate in the requested Commitment Increase. If the aggregate amount by which the Lenders are willing to participate in any requested Commitment Increase on any such Commitment Date is less than the requested Commitment Increase, then the Borrower may extend offers to one or more Eligible Assignees to participate in any portion of the requested Commitment Increase that has not been committed to by the Lenders as of the applicable Commitment Date; provided, however, that the Commitment of each such Eligible Assignee shall be in an amount of \$25,000,000 or more. The Borrower, at its discretion, may withdraw its request for a Commitment Increase at any time prior to the Increase Date.

(d) On each Increase Date, each Eligible Assignee that accepts an offer to participate in a requested Commitment Increase in accordance with Section 2.18(b) (each such Eligible Assignee, an "Assuming Lender") shall become a Lender party to this Agreement as of such Increase Date and the Commitment of each Increasing Lender for such requested Commitment Increase shall be so increased by such amount (or by the amount allocated to such Lender pursuant to the last sentence of Section 2.18(b)) as of such Increase Date; provided, however, that the Agent shall have received on or before such Increase Date the following, each dated such date:

(i) (A) certified copies of resolutions of the Board of Directors of the Borrower or the Executive Committee of such Board approving the Commitment Increase and the corresponding modifications to this Agreement and (B) an opinion of counsel for the Borrower (which may be in-house counsel), in substantially the form of Exhibit D hereto;

(ii) an assumption agreement from each Assuming Lender, if any, in form and substance satisfactory to the Borrower and the Agent (each an "Assumption Agreement"), duly executed by such Eligible Assignee, the Agent and the Borrower; and

(iii) confirmation from each Increasing Lender of the increase in the amount of its Commitment in a writing satisfactory to the Borrower and the Agent.

On each Increase Date, upon fulfillment of the conditions set forth in the immediately preceding sentence of this Section 2.18(d), the Agent shall notify the Lenders (including, without limitation, each Assuming Lender) and the Borrower, on or before 1:00 P.M. (New York City time), by telecopier, of the occurrence of the Commitment Increase to be effected on such Increase Date and shall record in the Register the relevant information with respect to each Increasing Lender and each Assuming Lender on such date.

ARTICLE III

CONDITIONS TO EFFECTIVENESS AND LENDING

SECTION 3.01. Conditions Precedent to Effectiveness of Sections 2.01 and 2.03. Sections 2.01 and 2.03 of this Agreement shall become effective on and as of the first date (the "Effective Date") on which the following conditions precedent have been satisfied:

(a) There shall have occurred no Material Adverse Change since January 3, 2004.

(b) There shall exist no action, suit, investigation, litigation or proceeding affecting the Borrower or any of its Subsidiaries pending or threatened before any court, governmental agency or arbitrator that (i) would be reasonably likely to have a Material Adverse Effect other than the matters described on Schedule 3.01(b) hereto (the "Disclosed Litigation") or (ii) purports to affect the legality, validity or enforceability of this Agreement or any Note or the consummation of the transactions contemplated hereby, and there shall have been no adverse change in the status, or financial effect on the Borrower or any of its Subsidiaries, of the Disclosed Litigation from that described on Schedule 3.01(b) hereto.

(c) Nothing shall have come to the attention of the Lenders during the course of their due diligence investigation to lead them to believe that the Information Memorandum was or has become misleading, incorrect or incomplete in any material respect; without limiting the generality of the foregoing, the Lenders shall have been given such access to the management, records, books of account, contracts and properties of the Borrower and its Subsidiaries as they shall have reasonably requested.

(d) All governmental and third party consents and approvals necessary in connection with the transactions contemplated hereby shall have been obtained (without the imposition of any conditions that are not acceptable to the Lenders) and shall remain in effect, and no law or regulation shall be applicable in the reasonable judgment of the Lenders that restrains, prevents or imposes materially adverse conditions upon the transactions contemplated hereby.

(e) The Borrower shall have notified each Lender and the Agent in writing as to the proposed Effective Date.

(f) The Borrower shall have paid all accrued fees and expenses of the Agent and the Lenders (including the accrued fees and expenses of counsel to the Agent to the extent invoiced prior to the Effective Date).

(g) On the 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 Effective Date, stating that:

(i) The representations and warranties contained in Section 4.01 are correct on and as of the Effective Date, and

(ii) No event has occurred and is continuing that constitutes a Default.

(h) The Agent shall have received on or before the Effective Date the following, each dated such day, in form and substance satisfactory to the Agent and (except for the Revolving Credit Notes) in sufficient copies for each Lender:

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

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

(v) A favorable opinion of Shearman & Sterling LLP, counsel for the Agent, in form and substance satisfactory to the Agent.

(i) The Borrower shall have terminated the commitments, and paid in full all Debt, interest, fees and other amounts outstanding, under (i) the \$200,000,000 Amended and Restated 364-Day Credit Agreement dated as of August 1, 2003 among the Borrower, the lenders parties thereto, Citibank N.A., as administrative agent, Citigroup Global Markets Inc., as lead arranger and book manager, Banc One Securities Inc., as co-arranger, and Bank One NA, as syndication agent and (ii) the Amended and Restated Five Year Credit agreement dated as of August 21, 2000 among the Borrower, the lenders parties thereto, Citibank, N.A., as administrative agent, Salomon Smith Barney Inc., as lead arranger and book manager, Banc One Securities Inc., as co-arranger, and The First National Bank of Chicago, as syndication agent. Each of the Lenders that is a party to the above described credit agreements, by execution hereof, hereby waives any requirement of prior notice to the termination of the commitments thereunder.

SECTION 3.02. Conditions Precedent to Each Revolving Credit Borrowing and Commitment Increase. The obligation of each Lender to make a Revolving Credit Advance on the occasion of each Revolving Credit Borrowing and each Commitment Increase pursuant to Section 2.18 shall be subject to the conditions precedent that the Effective Date shall have occurred and on the date of such Revolving Credit Borrowing or the applicable Increase Date (a) the following statements shall be true (and each of the giving of the applicable Notice of Revolving Credit Borrowing, request for Commitment Increase and the acceptance by the Borrower of the proceeds of such Revolving Credit Borrowing shall constitute a representation and warranty by the Borrower that on the date of such Borrowing or such Increase Date such statements are true):

(i) the representations and warranties contained in Section 4.01 (except, in the case of Revolving Credit Borrowings, the representations set forth in the last sentence of subsection (e) thereof and in subsection (f)(i) thereof) are correct on and as of such date, before and after giving effect to such Revolving Credit Borrowing or such Commitment Increase and to the application of the proceeds therefrom, as though made on and as of such date,

(ii) no event has occurred and is continuing, or would result from such Revolving Credit Borrowing, such Commitment Increase or from the application of the proceeds therefrom, that constitutes a Default, and

(iii) after giving effect to such Revolving Credit Borrowing, the aggregate amount of the Borrower's Debt (not including other transactions relating to Snap-on Credit LLC) from any bank or financial institution or under any commercial paper facility or debt securities or securitization program outstanding will not exceed \$500,000,000 or, if greater, the amount authorized by resolutions of the Board of Directors in effect on the date of such Revolving Credit Borrowing;

and (b) the Agent shall have received such other approvals, opinions or documents as any Lender through the Agent may reasonably request.

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SECTION 3.03. Conditions Precedent to Each Competitive Bid Borrowing. The obligation of each Lender that is to make a Competitive Bid Advance on the occasion of a Competitive Bid Borrowing to make such Competitive Bid Advance as part of such Competitive Bid Borrowing is subject to the conditions precedent that (i) the Agent shall have received the written confirmatory Notice of Competitive Bid Borrowing with respect thereto, (ii) on or before the date of such Competitive Bid Borrowing, but prior to such Competitive Bid Borrowing, the Agent shall have received a Competitive Bid Note payable to the order of such Lender for each of the one or more Competitive Bid Advances to be made by such Lender as part of such Competitive Bid Borrowing, in a principal amount equal to the principal amount of the Competitive Bid Advance to be evidenced thereby and otherwise on such terms as were agreed to for such Competitive Bid Advance in accordance with Section 2.03, and (iii) on the date of such Competitive Bid Borrowing the following statements shall be true (and each of the giving of the applicable Notice of Competitive Bid Borrowing and the acceptance by the Borrower of the proceeds of such Competitive Bid Borrowing shall constitute a representation and warranty by the Borrower that on the date of such Competitive Bid Borrowing such statements are true):

(a) the representations and warranties contained in Section 4.01 are correct on and as of the date of such Competitive Bid Borrowing, before and after giving effect to such Competitive Bid Borrowing and to the application of the proceeds therefrom, as though made on and as of such date,

(b) no event has occurred and is continuing, or would result from such Competitive Bid Borrowing or from the application of the proceeds therefrom, that constitutes a Default,

(c) no event has occurred and no circumstance exists as a result of which the information concerning the Borrower that has been provided to the Agent and each Lender by the Borrower in connection herewith would include an untrue statement of a material fact or omit to state any material fact or any fact necessary to make the statements contained therein, in the light of the circumstances under which they were made, not misleading, and

(d) after giving effect to such Competitive Bid Borrowing, the aggregate amount of the Borrower's Debt (not including other transactions relating to Snap-on Credit LLC) from any bank or financial institution or under any commercial paper facility or debt securities or securitization program outstanding will not exceed \$500,000,000 or, if greater, the amount authorized by resolutions of the Board of Directors in effect on the date of such Competitive Bid Borrowing;

SECTION 3.04. Determinations Under Section 3.01. For purposes of determining compliance with the conditions specified in Section 3.01, each Lender shall be deemed to have consented to, approved or accepted or to be satisfied with each document or other matter required thereunder to be consented to or approved by or acceptable or satisfactory to the Lenders unless an officer of the Agent responsible for the transactions contemplated by this Agreement shall have received notice from such Lender prior to the date that the Borrower, by notice to the Lenders, designates as the proposed Effective Date, specifying its objection thereto. The Agent shall promptly notify the Lenders and the Borrower of the occurrence of the Effective Date.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES

SECTION 4.01. Representations and Warranties of the Borrower. The Borrower represents and warrants as follows:

(a) The Borrower is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware.

(b) The execution, delivery and performance by the Borrower of this Agreement and the Notes to be delivered by it, and the consummation of the transactions contemplated hereby, are within the Borrower's corporate powers, have been duly authorized by all necessary corporate action, and do not contravene (i) the Borrower's charter or by-laws or (ii) law or any contractual restriction binding on or affecting the Borrower.

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(c) No authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body or any other third party is required as a condition to the due execution, delivery and performance by the Borrower of this Agreement or the Notes to be delivered by it.

(d) This Agreement has been, and each of the Notes to be delivered by it when delivered hereunder will have been, duly executed and delivered by the Borrower. This Agreement is, and each of the Notes when delivered hereunder will be, the legal, valid and binding obligation of the Borrower enforceable against the Borrower in accordance with their respective terms.

(e) The Consolidated balance sheet of the Borrower and its Subsidiaries as at January 3, 2004, and the related Consolidated statements of income and cash flows of the Borrower and its Subsidiaries for the fiscal year then ended, accompanied by an opinion of Deloitte & Touche LLP, independent public accountants, and the Consolidated balance sheet of the Borrower and its Subsidiaries as at April 3, 2004, and the related Consolidated statements of income and cash flows of the Borrower and its Subsidiaries for the three months then ended, duly certified by the chief financial officer of the Borrower, copies of which have been furnished to each Lender, fairly present, subject, in the case of said balance sheet as at April 3, 2004, and said statements of income and cash flows for the three months then ended, to the absence of footnotes and to year-end audit adjustments, the Consolidated financial condition of the Borrower and its Subsidiaries as at such dates and the Consolidated results of the operations of the Borrower and its Subsidiaries for the periods ended on such dates, all in accordance with generally accepted accounting principles consistently applied. Since January 3, 2004, there has been no Material Adverse Change.

(f) There is no pending or threatened action, suit, investigation, litigation or proceeding, including, without limitation, any Environmental Action, affecting the Borrower or any of its Subsidiaries before any court, governmental agency or arbitrator that (i) would be reasonably likely to have a Material Adverse Effect (other than the Disclosed Litigation) or (ii) purports to affect the legality, validity or enforceability of this Agreement or any Note or the consummation of the transactions contemplated hereby, and there has been no materially adverse change in the status, or financial effect on the Borrower or any of its Subsidiaries, of the Disclosed Litigation from that described on Schedule 3.01(b) hereto.

(g) The Borrower is not engaged in the business of extending credit for the purpose of purchasing or carrying margin stock (within the meaning of Regulation U issued by the Board of Governors of the Federal Reserve System), and no proceeds of any Advance will be used to purchase or carry any margin stock or to extend credit to others for the purpose of purchasing or carrying any margin stock.

(h) The Borrower is not an "investment company", or a company "controlled" by an "investment company", within the meaning of the Investment Company Act of 1940, as amended.

ARTICLE V

COVENANTS OF THE BORROWER

SECTION 5.01. Affirmative Covenants. So long as any Advance shall remain unpaid or any Lender shall have any Commitment hereunder, the Borrower will:

(a) Compliance with Laws, Etc. Comply, and cause each of its Material Subsidiaries to comply, with all applicable laws, rules, regulations and orders, such compliance to include, without limitation, compliance with ERISA and Environmental Laws the violation of which would have a Material Adverse Effect.

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(b) Payment of Taxes, Etc. Pay and discharge, and cause each of its Material Subsidiaries to pay and discharge, before the same shall become delinquent, (i) all taxes, assessments and governmental charges or levies imposed upon it or upon its property and (ii) all lawful claims that, if unpaid, would by law become a Lien upon its property (other than Liens of the type described in clause (b) of the definition of "Permitted Liens"); provided, however, that neither the Borrower nor any of its Material Subsidiaries shall be required to pay or discharge any such tax, assessment, charge or claim that is being contested in good faith and by proper proceedings and as to which appropriate reserves are being maintained, unless and until any Lien resulting therefrom attaches to its property and becomes enforceable against its other creditors.

(c) Maintenance of Insurance. Maintain, and cause each of its Material Subsidiaries to maintain, insurance with responsible and reputable insurance companies or associations in such amounts and covering such risks as is usually carried by companies engaged in similar businesses and owning similar properties in the same general areas in which the Borrower or such Subsidiary operates; provided, however, that the Borrower and its Subsidiaries may self-insure to the same extent as other companies engaged in similar businesses and owning similar properties in the same general areas in which the Borrower or such Subsidiary operates and to the extent consistent with prudent business practice.

(d) Preservation of Corporate Existence, Etc. Preserve and maintain, and cause each of its Material Subsidiaries to preserve and maintain, its corporate existence, rights (charter and statutory) and franchises; provided, however, that the Borrower and such Subsidiaries may consummate any transaction permitted under Section 5.02(b) and provided further that neither the Borrower nor any of its Material Subsidiaries shall be required to preserve any right or franchise if the Board of Directors of the Borrower or such Subsidiary shall determine that the preservation thereof is no longer desirable in the conduct of the business of the Borrower or such Subsidiary, as the case may be, and that the loss thereof is not disadvantageous in any material respect to the Borrower, such Subsidiary or the Lenders.

(e) Visitation Rights. At any reasonable time and from time to time and, so long as no Default has occurred and is continuing, upon reasonable notice, permit the Agent or any of the Lenders or any agents or representatives thereof, to examine and make copies of and abstracts from the records and books of account of, and visit the properties of, the Borrower and any of its Material Subsidiaries, and to discuss the affairs, finances and accounts of the Borrower and any of its Material Subsidiaries with any of their officers or directors and with their independent certified public accountants.

(f) Keeping of Books. Keep, and cause each of its Material Subsidiaries to keep, proper books of record and account, in which full and correct entries shall be made of all financial transactions and the assets and business of the Borrower and each such Subsidiary in accordance with generally accepted accounting principles in effect from time to time.

(g) Maintenance of Properties, Etc. Maintain and preserve, and cause each of its Material Subsidiaries to maintain and preserve, all of its properties that are used or useful in the conduct of its business in good working order and condition, ordinary wear and tear excepted.

(h) Transactions with Affiliates. Conduct, and cause each of its Material Subsidiaries to conduct, all transactions otherwise permitted under this Agreement with any of their Affiliates other than the Borrower or a wholly-owned Subsidiary of the Borrower on terms that are fair and reasonable and no less favorable to the Borrower or such Subsidiary than it would obtain in a comparable arm's-length transaction with a Person not an Affiliate, provided that the Borrower and its Subsidiaries may transact business with Snap-On Credit LLC on a basis consistent with past practice.

(i) Reporting Requirements. Furnish to the Agent:

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(i) as soon as available and in any event within 60 days after the end of each of the first three quarters of each fiscal year of the Borrower, the Consolidated balance sheet of the Borrower and its Subsidiaries as of the end of such quarter and Consolidated statements of income and cash flows of the Borrower and its Subsidiaries for the period commencing at the end of the previous fiscal year and ending with the end of such quarter, duly certified (subject to the absence of footnotes and to year-end audit adjustments) by the chief financial officer or treasurer of the Borrower as having been prepared in accordance with generally accepted accounting principles and certificates of the chief financial officer or treasurer of the Borrower as to compliance with the terms of this Agreement and setting forth in reasonable detail the calculations necessary to demonstrate compliance with Section 5.03, provided that in the event of any change in GAAP used in the preparation of such financial statements, the Borrower shall also provide, if necessary for the determination of compliance with Section 5.03, a statement of reconciliation conforming such financial statements to GAAP;

(ii) as soon as available and in any event within 120 days after the end of each fiscal year of the Borrower, a copy of the annual audit report for such year for the Borrower and its Subsidiaries, containing the Consolidated balance sheet of the Borrower and its Subsidiaries as of the end of such fiscal year and Consolidated statements of income and cash flows of the Borrower and its Subsidiaries for such fiscal year, in each case accompanied by an opinion acceptable to the Required Lenders by Deloitte & Touche LLP or other independent public accountants acceptable to the Required Lenders and certificates of the chief financial officer or treasurer of the Borrower as to compliance with the terms of this Agreement and setting forth in reasonable detail the calculations necessary to demonstrate compliance with Section 5.03, provided that in the event of any change in GAAP used in the preparation of such financial statements, the Borrower shall also provide, if necessary for the determination of compliance with Section 5.03, a statement of reconciliation conforming such financial statements to GAAP;

(iii) as soon as possible and in any event within five Business Days after an executive office of the Borrower knows or should have known of the occurrence of each Default continuing on the date of such statement, a statement of the chief financial officer or treasurer of the Borrower setting forth details of such Default and the action that the Borrower has taken and proposes to take with respect thereto;

(iv) promptly after the sending or filing thereof, copies of all reports that the Borrower sends to any of its securityholders as such, and copies of all reports on Forms 10-K, 10-Q and 8-K (or their equivalents) and registration statements (other than the exhibits thereto) that the Borrower or any Subsidiary files with the Securities and Exchange Commission or any national securities exchange;

(v) promptly after the commencement thereof, notice of all actions and proceedings before any court, governmental agency or arbitrator affecting the Borrower or any of its Subsidiaries of the type described in Section 4.01(f);

(vi) promptly after the adoption thereof, notice of the increased amount of the Borrower's Debt (not including other transactions relating to Snap-on Credit LLC) from any bank or financial institution or under any commercial paper facility or debt securities or securitization program authorized to be outstanding, together with certified copies of the resolutions of the Board of Directors of the Borrower approving such increase; and

(vii) such other information respecting the Borrower or any of its Subsidiaries as any Lender through the Agent may from time to time reasonably request.

SECTION 5.02. Negative Covenants. So long as any Advance shall remain unpaid or any Lender shall have any Commitment hereunder, the Borrower will not:

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(a) Liens, Etc. Create or suffer to exist, or permit any of its Material Subsidiaries to create or suffer to exist, any Lien on or with respect to any of its properties, whether now owned or hereafter acquired, or assign, or permit any of its Material Subsidiaries to assign, any right to receive income, other than:

(i) Permitted Liens,

(ii) purchase money Liens upon or in any real property or equipment acquired or held by the Borrower or any Material Subsidiary in the ordinary course of business to secure the purchase price of such property or equipment or to secure Debt incurred solely for the purpose of financing the acquisition of such property or equipment, or Liens existing on such property or equipment at the time of its acquisition (other than any such Liens created in contemplation of such acquisition that were not incurred to finance the acquisition of such property) or extensions, renewals or replacements of any of the foregoing for the same or a lesser amount, provided, however, that no such Lien shall extend to or cover any properties of any character other than the real property or equipment being acquired (and related property), and no such extension, renewal or replacement shall extend to or cover any properties not theretofore subject to the Lien being extended, renewed or replaced, provided further that the aggregate principal amount of the indebtedness secured by the Liens referred to in this clause (ii) shall not exceed \$50,000,000,

(iii) the Liens existing on the Effective Date and described on Schedule 5.02(a) hereto,

(iv) Liens on (or assignments of) property of a Person existing at the time such Person is merged into or consolidated with the Borrower or any Material Subsidiary of the Borrower or becomes a Material Subsidiary of the Borrower; provided that such Liens or assignments were not created in contemplation of such merger, consolidation or acquisition and do not extend to any assets other than those of the Person so merged into or consolidated with the Borrower or such Subsidiary or acquired by the Borrower or such Subsidiary,

(v) other Liens or assignments securing Debt and other obligations in an aggregate principal amount not to exceed \$50,000,000 at any time outstanding,

(vi) Liens or assignments arising in connection with a Permitted Receivables Financing,

(vii) the replacement, extension or renewal of any Lien or assignment permitted by clause (iii) or (iv) above upon or in the same property theretofore subject thereto or the replacement, extension or renewal (without increase in the amount or change in any direct or contingent obligor) of the Debt or other obligation secured thereby, and

(viii) Liens on proceeds of any of the assets permitted to be the subject of any Lien or assignment permitted by this Section 5.02(a).

(b) Mergers, Etc. Merge or consolidate with or into, or convey, transfer, lease or otherwise dispose of (whether in one transaction or in a series of transactions) all or substantially all of its assets (whether now owned or hereafter acquired) to, any Person, or permit any of its Material Subsidiaries to do so, except that (i) any Material Subsidiary of the Borrower may merge or consolidate with or into, or transfer, convey or dispose of assets to, any other Subsidiary of the Borrower, (ii) any Material Subsidiary of the Borrower may merge into or transfer, convey or dispose of assets to the Borrower and (iii) the Borrower may merge into a wholly owned Subsidiary of the Borrower that has no material assets or liabilities for the sole purpose of changing the state of incorporation of the Borrower if the surviving corporation shall expressly assume the liabilities of the Borrower under this Agreement and the Notes, provided, in each case, that no Default shall have occurred and be continuing at the time of such proposed transaction or would result therefrom and provided, further, that the foregoing shall not restrict the Borrower or its Material Subsidiaries in respect of dispositions of inventory or obsolete equipment in the ordinary course of business or in respect of any Permitted Receivables Financing.

(c) Accounting Changes. Make or permit, or permit any of its Material Subsidiaries to make or permit, any change in accounting policies or reporting practices, except as required or permitted by generally accepted accounting principles.

(d) Change in Nature of Business. Make, or permit any of its Material Subsidiaries to make, any material change in the nature of the business of the Borrower and its Subsidiaries taken as a whole as carried on at the date hereof.

SECTION 5.03. Financial Covenant. So long as any Advance shall remain unpaid or any Lender shall have any Commitment hereunder, the Borrower will maintain a ratio of Consolidated Debt to the sum of Consolidated Debt plus shareholders' equity of not greater than 0.60:1.00.

ARTICLE VI

EVENTS OF DEFAULT

SECTION 6.01. Events of Default. If any of the following events ("Events of Default") shall occur and be continuing:

(a) The Borrower shall fail to pay any principal of any Advance when the same becomes due and payable; or the Borrower shall fail to pay any interest on any Advance or make any other payment of fees or other amounts payable under this Agreement or any Note within three Business Days after the same becomes due and payable; or

(b) Any representation or warranty made by the Borrower herein or by the Borrower (or any of its officers) in connection with this Agreement shall prove to have been incorrect in any material respect when made; or

(c) (i) The Borrower shall fail to perform or observe any term, covenant or agreement contained in Section 5.01(d), (e) or (i), 5.02 or 5.03, or (ii) the Borrower shall fail to perform or observe any other term, covenant or agreement contained in this Agreement on its part to be performed or observed if such failure shall remain unremedied for 30 days after written notice thereof shall have been given to the Borrower by the Agent or any Lender; or

(d) The Borrower or any of its Subsidiaries shall fail to pay any principal of or premium or interest on any Debt that is outstanding in a principal or net amount of at least \$50,000,000 in the aggregate (but excluding Debt outstanding hereunder) of the Borrower or such Subsidiary (as the case may be), when the same becomes due and payable (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise), and such failure shall continue after the applicable grace period, if any, specified in the agreement or instrument relating to such Debt; or any other event shall occur or condition shall exist under any agreement or instrument relating to any such Debt and shall continue after the applicable grace period, if any, specified in such agreement or instrument, if the effect of such event or condition is to accelerate, or to permit the acceleration of, the maturity of such Debt; or any such Debt shall be declared to be due and payable, or required to be prepaid or redeemed (other than by a regularly scheduled required prepayment or redemption), purchased or defeased, or an offer to prepay, redeem, purchase or defease such Debt shall be required to be made, in each case prior to the stated maturity thereof; or

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(e) The Borrower or any of its Material Subsidiaries shall generally not pay its debts as such debts become due, or shall admit in writing its inability to pay its debts generally, or shall make a general assignment for the benefit of creditors; or any proceeding shall be instituted by or against the Borrower or any of its Material Subsidiaries seeking to adjudicate it a bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief, or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee, custodian or other similar official for it or for any substantial part of its property and, in the case of any such proceeding instituted against it (but not instituted by it), either such proceeding shall remain undismissed or unstayed for a period of 60 days, or any of the actions sought in such proceeding (including, without limitation, the entry of an order for relief against, or the appointment of a receiver, trustee, custodian or other similar official for, it or for any substantial part of its property) shall occur; or the Borrower or any of its Material Subsidiaries shall take any corporate action to authorize any of the actions set forth above in this subsection (e); or

(f) Judgments or orders for the payment of money in excess of \$50,000,000 in the aggregate shall be rendered against the Borrower or any of its Material Subsidiaries with respect to which (i) enforcement proceedings shall have been commenced by any creditor upon such judgments or orders or (ii) there shall be any period of 10 consecutive days during which a stay of enforcement of such judgments or orders, by reason of a pending appeal or otherwise, shall not be in effect; provided, however, that any such judgment or order shall not be an Event of Default or included in the calculation of the aggregate amount of judgments or orders under this Section 6.01(f) if and for so long as (i) the amount of such judgment or order is covered by a valid and binding policy of insurance between the defendant and the insurer covering payment thereof and (ii) such insurer, which shall be rated at least "A" by A.M. Best Company, has been notified of, and has not disputed the claim made for payment of, the amount of such judgment or order; or

(g) Any non-monetary judgment or order shall be rendered against the Borrower or any of its Subsidiaries that would be reasonably expected to have a Material Adverse Effect, and there shall be any period of 10 consecutive days during which a stay of enforcement of such judgment or order, by reason of a pending appeal or otherwise, shall not be in effect; or

(h) (i) Any Person or two or more Persons acting in concert (other than any Related Person) shall have acquired beneficial ownership (within the meaning of Rule 13d-3 of the Securities and Exchange Commission under the Securities Exchange Act of 1934), directly or indirectly, of Voting Stock of the Borrower (or other securities convertible into such Voting Stock) representing 30% or more of the combined voting power of all Voting Stock of the Borrower; or (ii) during any period of up to 12 consecutive calendar months, commencing after the date of this Agreement, individuals who at the beginning of such 12-month period were directors of the Borrower shall cease for any reason to constitute a majority of the board of directors of the Borrower (except to the extent that individuals who at the beginning of such 12-month period were replaced by individuals (x) elected by a majority of the remaining members of the board of directors of the Borrower or (y) nominated for election by a majority of the remaining members of the board of directors of the Borrower and thereafter elected as directors by the shareholders of the Borrower); or

(i) The Borrower or any of its ERISA Affiliates shall incur, or shall be reasonably likely to incur liability in excess of \$50,000,000 in the aggregate as a result of one or more of the following: (i) the occurrence of any ERISA Event; (ii) the partial or complete withdrawal of the Borrower or any of its ERISA Affiliates from a Multiemployer Plan; or (iii) the reorganization or termination of a Multiemployer Plan;

then, and in any such event, the Agent (i) shall at the request, or may with the consent, of the Required Lenders, by notice to the Borrower, declare the obligation of each Lender to make Advances to be terminated, whereupon the same shall forthwith terminate, and (ii) shall at the request, or may with the consent, of the Required Lenders, by notice to the Borrower, declare the Advances, all interest thereon and all other amounts payable under this Agreement to be forthwith due and payable, whereupon the Advances, all such interest and all such amounts shall become and be forthwith due and payable, without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by the Borrower; provided, however, that in the event of an actual or deemed entry of an order for relief with respect to the Borrower under the Federal Bankruptcy Code, (A) the obligation of each Lender to make Advances shall automatically be terminated and (B) the Advances, all such interest and all such amounts shall automatically become and be due and payable, without presentment, demand, protest or any notice of any kind, all of which are hereby expressly waived by the Borrower.

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ARTICLE VII

THE AGENT

SECTION 7.01. Authorization and Action. Each Lender hereby appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers and discretion under this Agreement as are delegated to the Agent by the terms hereof, together with such powers and discretion as are reasonably incidental thereto. As to any matters not expressly provided for by this Agreement (including, without limitation, enforcement or collection of the Notes), the Agent shall not be required to exercise any discretion or take any action, but shall be required to act or to refrain from acting (and shall be fully protected in so acting or refraining from acting) upon the instructions of the Required Lenders, and such instructions shall be binding upon all Lenders and all holders of Notes; provided, however, that the Agent shall not be required to take any action that exposes the Agent to personal liability or that is contrary to this Agreement or applicable law. The Agent agrees to give to each Lender prompt notice of each notice given to it by the Borrower pursuant to the terms of this Agreement.

SECTION 7.02. Agent's Reliance, Etc. Neither the Agent nor any of its directors, officers, agents or employees shall be liable for any action taken or omitted to be taken by it or them under or in connection with this Agreement, except for its or their own gross negligence or willful misconduct. Without limitation of the generality of the foregoing, the Agent: (i) may treat the Lender that made any Advance as the holder of the Debt resulting therefrom until the Agent receives and accepts an Assumption Agreement entered into by an Assuming Lender as provided in Section 2.18 or an Assignment and Acceptance entered into by such Lender, as assignor, and an Eligible Assignee, as assignee, as provided in Section 8.07; (ii) may consult with legal counsel (including counsel for the Borrower), independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken in good faith by it in accordance with the advice of such counsel, accountants or experts; (iii) makes no warranty or representation to any Lender and shall not be responsible to any Lender for any statements, warranties or representations (whether written or oral) made in or in connection with this Agreement; (iv) shall not have any duty to ascertain or to inquire as to the performance or observance of any of the terms, covenants or conditions of this Agreement on the part of the Borrower or to inspect the property (including the books and records) of the Borrower; (v) shall not be responsible to any Lender for the due execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement or any other instrument or document furnished pursuant hereto; and (vi) shall incur no liability under or in respect of this Agreement by acting upon any notice, consent, certificate or other instrument or writing (which may be by telecopier or telegram) believed by it to be genuine and signed or sent by the proper party or parties.

SECTION 7.03. Citibank and Affiliates. With respect to its Commitment, the Advances made by it and the Note issued to it, Citibank shall have the same rights and powers under this Agreement as any other Lender and may exercise the same as though it were not the Agent; and the term "Lender" or "Lenders" shall, unless otherwise expressly indicated, include Citibank in its individual capacity. Citibank and its Affiliates may accept deposits from, lend money to, act as trustee under indentures of, accept investment banking engagements from and generally engage in any kind of business with, the Borrower, any of its Subsidiaries and any Person who may do business with or own securities of the Borrower or any such Subsidiary, all as if Citibank were not the Agent and without any duty to account therefor to the Lenders.

SECTION 7.04. Lender Credit Decision. Each Lender acknowledges that it has, independently and without reliance upon the Agent or any other Lender and based on the financial statements referred to in Section 4.01 and such other documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon the Agent or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement.

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SECTION 7.05. Indemnification. The Lenders agree to indemnify the Agent (to the extent not reimbursed by the Borrower), ratably according to the respective principal amounts of the Revolving Credit Advances then owed to each of them (or if no Revolving Credit Advances are at the time outstanding, ratably according to the respective amounts of their Commitments), from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever that may be imposed on, incurred by, or asserted against the Agent in any way relating to or arising out of this Agreement or any action taken or omitted by the Agent under this Agreement (collectively, the "Indemnified Costs"), provided that no Lender shall be liable for any portion of the Indemnified Costs resulting from the Agent's gross negligence or willful misconduct. Without limitation of the foregoing, each Lender agrees to reimburse the Agent promptly upon demand for its ratable share of any out-of-pocket expenses (including reasonable counsel fees) incurred by the Agent in connection with the preparation, execution, delivery, administration, modification, amendment or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement, to the extent that the Agent is not reimbursed for such expenses by the Borrower. In the case of any investigation, litigation or proceeding giving rise to any Indemnified Costs, this Section 7.05 applies whether any such investigation, litigation or proceeding is brought by the Agent, any Lender or a third party.

SECTION 7.06. Successor Agent. The Agent may resign at any time by giving written notice thereof to the Lenders and the Borrower and may be removed at any time with or without cause by the Required Lenders. Upon any such resignation or removal, the Required Lenders shall have the right to appoint a successor Agent with the consent, not to be unreasonably withheld or delayed, of the Borrower so long as no Default has occurred and is continuing. If no successor Agent shall have been so appointed by the Required Lenders, and shall have accepted such appointment, within 30 days after the retiring Agent's giving of notice of resignation or the Required Lenders' removal of the retiring Agent, then the retiring Agent may, on behalf of the Lenders and with the consent, not to be unreasonably withheld or delayed, of the Borrower so long as no Default has occurred and is continuing, appoint a successor Agent, which shall be a commercial bank organized under the laws of the United States of America or of any State thereof and having a combined capital and surplus of at least \$500,000,000. Upon the acceptance of any appointment as Agent hereunder by a successor Agent, such successor Agent shall thereupon succeed to and become vested with all the rights, powers, discretion, privileges and duties of the retiring Agent, and the retiring Agent shall be discharged from its duties and obligations under this Agreement. After any retiring Agent's resignation or removal hereunder as Agent, the provisions of this Article VII shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Agent under this Agreement.

SECTION 7.07. Sub-Agent. The Sub-Agent has been designated under this Agreement to carry out duties of the Agent. The Sub-Agent shall be subject to each of the obligations in this Agreement to be performed by the Sub-Agent, and each of the Borrower and the Lenders agrees that the Sub-Agent shall be entitled to exercise each of the rights and shall be entitled to each of the benefits of the Agent under this Agreement as relate to the performance of its obligations hereunder.

SECTION 7.08. Other Agents. Each Lender hereby acknowledges that neither the syndication agent nor any other Lender designated as any "Co-Agent" on the signature pages hereof has any liability hereunder other than in its capacity as a Lender.

ARTICLE VIII

MISCELLANEOUS

SECTION 8.01. Amendments, Etc. No amendment or waiver of any provision of this Agreement or the Revolving Credit Notes, nor consent to any departure by the Borrower therefrom, shall in any event be effective unless the same shall be in writing and signed by the Required Lenders, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; provided, however, that no amendment, waiver or consent shall, unless in writing and signed by all the Lenders, do any of the following: (a) waive any of the conditions specified in Section 3.01, (b) increase the Commitments of the Lenders or subject the Lenders to any additional obligations, (c) reduce the principal of, or interest on, the Revolving Credit Advances or any fees or other amounts payable hereunder, (d) postpone any date fixed for any payment of principal of, or interest on, the Revolving Credit Advances or any fees or other amounts payable hereunder, (e) change the percentage of the Commitments or of the aggregate unpaid principal amount of the Revolving Credit Advances, or the number of Lenders, that shall be required for the Lenders or any of them to take any action hereunder or (f) amend this Section 8.01; and provided further that no amendment, waiver or consent shall, unless in writing and signed by the Agent in addition to the Lenders required above to take such action, affect the rights or duties of the Agent under this Agreement or any Note.

SECTION 8.02. Notices, Etc. (a) All notices and other communications provided for hereunder shall be (x) in writing (including telecopier or telegraphic communication) and sent by reputable overnight courier, telecopied, telegraphed or delivered or (y) as and to the extent set forth in Section 8.02(b) and in the proviso to this Section 8.02(a), if to the Borrower, at its address at 10801 Corporate Drive, Pleasant Prairie, Wisconsin 53158, Attention: Martin M. Ellen, Senior Vice President and Chief Financial Officer, and Jeffrey F. Kostrzewa, Director Treasury Operations and Finance, with copies to 10801 Corporate Drive, Pleasant Prairie, Wisconsin 53158, Attention: Susan F. Marrinan, General Counsel; if to any Initial Lender, at its Domestic Lending Office specified opposite its name on Schedule I hereto; if to any other Lender, at its Domestic Lending Office specified in the Assumption Agreement or the Assignment and Acceptance pursuant to which it became a Lender; and if to the Agent, at its address at Two Penns Way, New Castle, Delaware 19720, Attention: Bank Loan Syndications Department; or, as to the Borrower or the Agent, at such other address as shall be designated by such party in a written notice to the other parties and, as to each other party, at such other address as shall be designated by such party in a written notice to the Borrower and the Agent, provided that materials required to be delivered pursuant to Section 5.01(i)(i), (ii) or (iv) shall be delivered to the Agent as specified in Section 8.02(b) or as otherwise specified to the Borrower by the Agent. All such notices and communications shall, when mailed, telecopied, telegraphed or e-mailed, be effective when deposited in the mails, telecopied, delivered to the telegraph company or confirmed by e-mail, respectively, except that notices and communications to the Agent pursuant to Article II, III or VII shall not be effective until received by the Agent. Delivery by telecopier of an executed counterpart of any amendment or waiver of any provision of this Agreement or the Notes or of any Exhibit hereto to be executed and delivered hereunder shall be effective as delivery of a manually executed counterpart thereof.

(b) So long as Citibank or any of its Affiliates is the Agent, notwithstanding anything to the contrary herein, materials required to be delivered pursuant to Section 5.01(i)(i), (ii) and (iv) shall be delivered to the Agent in an electronic medium in a format acceptable to the Agent and the Lenders by e-mail at oploanswebadmin@citigroup.com. The Borrower agrees that the Agent may make such materials, as well as any other written information, documents, instruments and other material relating to the Borrower, any of its Subsidiaries or any other materials or matters relating to this Agreement, the Notes or any of the transactions contemplated hereby (collectively, the “Communications”) available to the Lenders by posting such Communications on Intralinks or a substantially similar electronic system (the “Platform”). The Borrower acknowledges that (i) the distribution of material through an electronic medium is not necessarily secure and that there are confidentiality and other risks associated with such distribution, (ii) the Platform is provided “as is” and “as available” and (iii) neither the Agent nor any of its Affiliates warrants the accuracy, adequacy or completeness of the Communications or the Platform and each expressly disclaims liability for errors or omissions in the Communications or the Platform. No warranty of any kind, express, implied or statutory, including, without limitation, any warranty of merchantability, fitness for a particular purpose, non-infringement of third party rights or freedom from viruses or other code defects, is made by the Agent or any of its Affiliates in connection with the Platform.

(c) Each Lender agrees that any notice to it (as provided in the next sentence) (a “Notice”) specifying that any Communications have been posted to the Platform shall constitute effective delivery of such information, documents or other materials to such Lender for purposes of this Agreement; provided that if requested by any Lender the Agent shall deliver a copy of the Communications to such Lender by email or telecopier. Each Lender agrees (i) to notify the Agent in writing of such Lender’s e-mail address to which a Notice may be sent by electronic transmission (including by electronic communication) on or before the date such Lender becomes a party to this Agreement (and from time to time thereafter to ensure that the Agent has on record an effective e-mail address for such Lender) and (ii) that any Notice may be sent to such e-mail address.

SECTION 8.03. No Waiver; Remedies. No failure on the part of any Lender or the Agent to exercise, and no delay in exercising, any right hereunder or under any Note shall operate as a waiver thereof; nor shall any single or partial exercise of any such right preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

SECTION 8.04. Costs and Expenses. (a) The Borrower agrees to pay promptly (and in any event within 10 days) after demand all costs and expenses of the Agent in connection with the preparation, execution, delivery, administration, modification and amendment of this Agreement, the Notes and the other documents to be delivered hereunder, including, without limitation, (A) all due diligence, syndication (including printing, distribution and bank meetings), transportation, computer, duplication, appraisal, consultant, and audit expenses and (B) the reasonable fees and expenses of counsel for the Agent with respect thereto and with respect to advising the Agent as to its rights and responsibilities under this Agreement. The Borrower further agrees to pay on demand all costs and expenses of the Agent and the Lenders, if any (including, without limitation, reasonable counsel fees and expenses), in connection with the enforcement (whether through negotiations, legal proceedings or otherwise) of this Agreement, the Notes and the other documents to be delivered hereunder, including, without limitation, reasonable fees and expenses of counsel for the Agent and each Lender in connection with the enforcement of rights under this Section 8.04(a).

(b) The Borrower agrees to indemnify and hold harmless the Agent and each Lender and each of their Affiliates and their officers, directors, employees, agents and advisors (each, an “Indemnified Party”) from and against any and all claims, damages, losses, liabilities and expenses (including, without limitation, reasonable fees and expenses of counsel) incurred by or asserted or awarded against any Indemnified Party, in each case arising out of or in connection with or by reason of (including, without limitation, in connection with any investigation, litigation or proceeding or preparation of a defense in connection therewith) (i) the Notes, this Agreement, any of the transactions contemplated herein or the actual or proposed use of the proceeds of the Advances or (ii) the actual or alleged presence of Hazardous Materials on any property of the Borrower or any of its Subsidiaries, except to the extent (x) such claim, damage, loss, liability or expense resulted from such Indemnified Party’s gross negligence or willful misconduct, (y) such claim, damage, loss, liability or expense arises from a litigation or proceeding among Lenders or (z) except to the extent payable under Section 8.04(a), such claim, damage loss, liability or expense arises in connection with the preparation, execution, delivery, administration, modification or amendment of this Agreement. In the case of an investigation, litigation or other proceeding to which the indemnity in this Section 8.04(b) applies, such indemnity shall be effective whether or not such investigation, litigation or proceeding is brought by the Borrower, its directors, shareholders or creditors or an Indemnified Party or any other Person or any Indemnified Party is otherwise a party thereto and whether or not the transactions contemplated hereby are consummated. The Borrower also agrees not to assert any claim for special, indirect, consequential or punitive damages against the Agent, any Lender, any of their Affiliates, or any of their respective directors, officers, employees, attorneys and agents, on any theory of liability, arising out of or otherwise relating to the Notes, this Agreement, any of the transactions contemplated herein or the actual or proposed use of the proceeds of the Advances.

(c) If any payment of principal of, or Conversion of, any Eurocurrency Rate Advance, LIBO Rate Advance or Local Rate Advance is made by the Borrower to or for the account of a Lender other than on the last day of the Interest Period for such Advance, as a result of a payment or Conversion pursuant to Section 2.08(d) or (e), 2.10 or 2.12, acceleration of the maturity of the Notes pursuant to Section 6.01 or for any other reason, or by an Eligible Assignee to a Lender other than on the last day of the Interest Period for such Advance upon an assignment of rights and obligations under this Agreement pursuant to Section 8.07 as a result of a demand by the Borrower pursuant to Section 8.07(a), the Borrower shall, upon demand by such Lender (with a copy of such

demand to the Agent), pay to the Agent for the account of such Lender any amounts required to compensate such Lender for any additional losses, costs or expenses that it may reasonably incur as a result of such payment or Conversion, including, without limitation, any loss (including loss of anticipated profits), cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by any Lender to fund or maintain such Advance.

(d) Without prejudice to the survival of any other agreement of the Borrower hereunder, the agreements and obligations of the Borrower contained in Sections 2.11, 2.14 and 8.04 shall survive the payment in full of principal, interest and all other amounts payable hereunder and under the Notes.

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SECTION 8.05. Right of Set-off. Upon (i) the occurrence and during the continuance of any Event of Default and (ii) the making of the request or the granting of the consent specified by Section 6.01 to authorize the Agent to declare the Notes due and payable pursuant to the provisions of Section 6.01, each Lender and each of its Affiliates is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by such Lender or such Affiliate (but not including any insurance premiums) to or for the credit or the account of the Borrower against any and all of the obligations of the Borrower now or hereafter existing under this Agreement and the Note held by such Lender, whether or not such Lender shall have made any demand under this Agreement or such Note and although such obligations may be unmaturing. Each Lender agrees promptly to notify the Borrower after any such set-off and application, provided that the failure to give such notice shall not affect the validity of such set-off and application. The rights of each Lender and its Affiliates under this Section are in addition to other rights and remedies (including, without limitation, other rights of set-off) that such Lender and its Affiliates may have.

SECTION 8.06. Binding Effect. This Agreement shall become effective (other than Sections 2.01 and 2.03, which shall only become effective upon satisfaction of the conditions precedent set forth in Section 3.01) when it shall have been executed by the Borrower and the Agent and when the Agent shall have been notified by each Initial Lender that such Initial Lender has executed it and thereafter shall be binding upon and inure to the benefit of the Borrower, the Agent and each Lender and their respective successors and assigns, except that the Borrower shall not have the right to assign its rights hereunder or any interest herein without the prior written consent of the Lenders.

SECTION 8.07. Assignments and Participations. (a) Each Lender may and, if demanded by the Borrower (so long as no Default shall have occurred and be continuing and following a demand by such Lender pursuant to Section 2.11 or 2.14 or a notice given by such Lender pursuant to Section 2.12) upon at least five Business Days' notice to such Lender and the Agent, will assign to one or more Persons all or a portion of its rights and obligations under this Agreement (including, without limitation, all or a portion of its Commitment, the Revolving Credit Advances owing to it and the Revolving Credit Note or Notes held by it); provided, however, that (i) each such assignment shall be of a constant, and not a varying, percentage of all rights and obligations under this Agreement (other than any right to make Competitive Bid Advances, Competitive Bid Advances owing to it and Competitive Bid Notes), (ii) except in the case of an assignment to a Person that, immediately prior to such assignment, was a Lender or an assignment of all of a Lender's rights and obligations under this Agreement, the amount of the Commitment of the assigning Lender being assigned pursuant to each such assignment (determined as of the date of the Assignment and Acceptance with respect to such assignment) shall in no event be less than \$10,000,000 or an integral multiple of \$1,000,000 in excess thereof, (iii) each such assignment shall be to an Eligible Assignee, (iv) each such assignment made as a result of a demand by the Borrower pursuant to this Section 8.07(a) shall be arranged by the Borrower after consultation with the Agent and shall be either an assignment of all of the rights and obligations of the assigning Lender under this Agreement or an assignment of a portion of such rights and obligations made concurrently with another such assignment or other such assignments that together cover all of the rights and obligations of the assigning Lender under this Agreement, (v) no Lender shall be obligated to make any such assignment as a result of a demand by the Borrower pursuant to this Section 8.07(a) unless and until such Lender shall have received one or more payments from either the Borrower or one or more Eligible Assignees in an aggregate amount at least equal to the aggregate outstanding principal amount of the Advances owing to such Lender, together with accrued interest thereon to the date of payment of such principal amount and all other amounts payable to such Lender under this Agreement, and (vi) the parties to each such assignment shall execute and deliver to the Agent, for its acceptance and recording in the Register, an Assignment and Acceptance, together with any Revolving Credit Note subject to such assignment and a processing and recordation fee of \$3,500. Upon such execution, delivery, acceptance and recording, from and after the effective date specified in each Assignment and Acceptance, (x) the assignee thereunder shall be a party hereto and, to the extent that rights and obligations hereunder have been assigned to it pursuant to such Assignment and Acceptance, have the rights and obligations of a Lender hereunder and (y) the Lender assignor thereunder shall, to the extent that rights and obligations hereunder have been assigned by it pursuant to such Assignment and Acceptance, relinquish its rights and be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all or the remaining portion of an assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto).

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(b) By executing and delivering an Assignment and Acceptance, the Lender assignor thereunder and the assignee thereunder confirm to and agree with each other and the other parties hereto as follows: (i) other than as provided in such Assignment and Acceptance, such assigning Lender makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with this Agreement or the execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement or any other instrument or document furnished pursuant hereto; (ii) such assigning Lender makes no representation or warranty and assumes no responsibility with respect to the financial condition of the Borrower or the performance or observance by the Borrower of any of its obligations under this Agreement or any other instrument or document furnished pursuant hereto; (iii) such assignee confirms that it has received a copy of this Agreement, together with copies of the financial statements referred to in Section 4.01 and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into such Assignment and Acceptance; (iv) such assignee will, independently and without reliance upon the Agent, such assigning Lender or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement; (v) such assignee confirms that it is an Eligible Assignee; (vi) such assignee appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers and discretion under this Agreement as are delegated to the Agent by the terms hereof, together with such powers and discretion as are reasonably incidental thereto; and (vii) such assignee agrees that it will perform in accordance with their terms all of the obligations that by the terms of this Agreement are required to be performed by it as a Lender.

(c) Upon its receipt of an Assignment and Acceptance executed by an assigning Lender and an assignee representing that it is an Eligible Assignee, together with any Revolving Credit Note or Notes subject to such assignment, the Agent shall, if such Assignment and Acceptance has been completed and is in substantially the form of Exhibit C hereto, (i) accept such Assignment and Acceptance, (ii) record the information contained therein in the Register and (iii) give prompt notice thereof to the Borrower.

(d) The Agent shall maintain at its address referred to in Section 8.02 a copy of each Assumption Agreement and each Assignment and Acceptance delivered to and accepted by it and a register for the recordation of the names and addresses of the Lenders and the Commitment of, and principal amount of the Advances owing to, each Lender from time to time (the "Register"). The entries in the Register shall be conclusive and binding for all purposes, absent manifest error, and the Borrower, the Agent and the Lenders may treat each Person whose name is recorded in the Register as a Lender hereunder for all purposes of this Agreement. The Register shall be available for inspection by the Borrower or any Lender at any reasonable time and from time to time upon reasonable prior notice.

(e) Each Lender may sell participations to one or more banks or other entities (other than the Borrower or any of its Affiliates) in or to all or a portion of its rights and obligations under this Agreement (including, without limitation, all or a portion of its Commitment, the Advances owing to it and any Note or Notes held by it); provided, however, that (i) such Lender's obligations under this Agreement (including, without limitation, its Commitment to the Borrower hereunder) shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, (iii) such Lender shall remain the holder of any such Note for all purposes of this Agreement, (iv) the Borrower, the Agent and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement and (v) no participant under any such participation shall have any right to approve any amendment or waiver of any provision of this Agreement or any Note, or any consent to any departure by the Borrower therefrom, except to the extent that such amendment, waiver or consent would reduce the principal of, or interest on, the Notes or any fees or other amounts payable hereunder, in each case to the extent subject to such participation, or postpone any date fixed for any payment of principal of, or interest on, the Notes or any fees or other amounts payable hereunder, in each case to the extent subject to such participation. The Borrower agrees that each participant shall be entitled to the benefits of Sections 2.11, 2.14 and 8.04(b) and (c) to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to this Section 8.07; provided that no participant shall be entitled to receive any greater amount pursuant to any such section than the transferor Lender would have been entitled to receive in respect of the amount of the participation transferred by such transferor Lender to such participant had no such participation occurred.

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(f) Any Lender may, in connection with any assignment or participation or proposed assignment or participation pursuant to this Section 8.07, disclose to the assignee or participant or proposed assignee or participant, any information relating to the Borrower furnished to such Lender by or on behalf of the Borrower; provided that, prior to any such disclosure, the assignee or participant or proposed assignee or participant shall agree to preserve the confidentiality of any Confidential Information relating to the Borrower received by it from such Lender.

(g) Notwithstanding anything to the contrary contained herein, any Lender (a "Granting Bank") may grant to any of its Affiliates (a "Funding Agent"), identified as such in writing from time to time by the Granting Bank to the Agent and the Borrower, the option to provide to the Borrower all or any part of any Advance that such Granting Bank would otherwise be obligated to make to the Borrower pursuant to this Agreement; provided that (i) nothing herein shall constitute a commitment by any Funding Agent to make any Advance, (ii) if a Funding Agent elects not to exercise such option or otherwise fails to provide all or any part of such Advance, the Granting Bank shall be obligated, as a principal and not as a surety, to make such Advance pursuant to the terms hereof. The making of an Advance by a Funding Agent hereunder shall utilize the Commitment of the Granting Bank to the same extent, and as if, such Advance were made by such Granting Bank. Each party hereto hereby agrees that no Funding Bank shall be liable for any indemnity or similar payment obligation under this Agreement (all liability for which shall remain with the Granting Bank). Notwithstanding the foregoing, neither any such grant made hereunder nor the holding of interest hereunder by any Funding Agent shall increase any of the Borrower's obligations and/or liabilities (including without limitation tax liabilities and other indemnities) which the Borrower has but for such grant or holding of interest ("Funding Agent Liabilities") and the Granting Bank shall hold the Borrower harmless and indemnify the Borrower from and against any and all Funding Agent Liabilities. Each party hereto agrees that the Granting Bank shall, for all purposes, including any amendment, waiver or modification of this Agreement, the Notes, or any document related thereto, remain the lender of record hereunder.

(h) Notwithstanding any other provision set forth in this Agreement, any Lender may at any time create a security interest in all or any portion of its rights under this Agreement (including, without limitation, the Advances owing to it and any Note or Notes held by it) in favor of any Federal Reserve Bank in accordance with Regulation A of the Board of Governors of the Federal Reserve System.

SECTION 8.08. Confidentiality. The Agent and the Lenders shall maintain the confidentiality of the Confidential Information. Neither the Agent nor any Lender shall disclose any Confidential Information to any other Person without the consent of the Borrower, other than (a) to the Agent's or such Lender's Affiliates and their officers, directors, employees, agents and advisors and, as contemplated by Section 8.07(f), to actual or prospective assignees and participants (it being understood that such disclosure shall be made solely in connection with the transactions contemplated hereby and the Persons to whom such disclosure is made will be informed of the confidential nature of such Confidential Information and instructed to keep such Confidential Information confidential on substantially the same terms as provided herein), (b) as required by any law, rule or regulation or judicial process, and (c) as requested or required by any state, federal or foreign authority or examiner regulating banks or banking; provided, however, that with respect to disclosures pursuant to clauses (b) and (c) of this Section, unless prohibited by law or applicable court order, each Lender and the Agent shall attempt to notify the Borrower of any request by any governmental agency or representative thereof or other Person for disclosure of Confidential Information after receipt of such request, and if reasonable, practicable and permissible, before disclosure of such Confidential Information.

SECTION 8.09. Governing Law. This Agreement and the Notes shall be governed by, and construed in accordance with, the laws of the State of New York.

SECTION 8.10. Execution in Counterparts. This Agreement 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 Agreement by telecopier shall be effective as delivery of a manually executed counterpart of this Agreement.

SECTION 8.11. Judgment. (a) If for the purposes of obtaining judgment in any court it is necessary to convert a sum due hereunder in Dollars into another currency, the parties hereto agree, to the fullest extent that they may effectively do so, that the rate of exchange used shall be that at which in accordance with normal banking procedures the Agent could purchase Dollars with such other currency at Citibank's principal office in London at 11:00 A.M. (London time) on the Business Day preceding that on which final judgment is given.

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(b) If for the purposes of obtaining judgment in any court it is necessary to convert a sum due hereunder in a Foreign Currency into Dollars, the

parties agree to the fullest extent that they may effectively do so, that the rate of exchange used shall be that at which in accordance with normal banking procedures the Agent could purchase such Foreign Currency with Dollars at Citibank's principal office in London at 11:00 A.M. (London time) on the Business Day preceding that on which final judgment is given.

(c) The obligation of the Borrower in respect of any sum due from it in any currency (the "Primary Currency") to any Lender or the Agent hereunder shall, notwithstanding any judgment in any other currency, be discharged only to the extent that on the Business Day following receipt by such Lender or the Agent (as the case may be), of any sum adjudged to be so due in such other currency, such Lender or the Agent (as the case may be) may in accordance with normal banking procedures purchase the applicable Primary Currency with such other currency; if the amount of the applicable Primary Currency so purchased is less than such sum due to such Lender or the Agent (as the case may be) in the applicable Primary Currency, the Borrower agrees, as a separate obligation and notwithstanding any such judgment, to indemnify such Lender or the Agent (as the case may be) against such loss, and if the amount of the applicable Primary Currency so purchased exceeds such sum due to any Lender or the Agent (as the case may be) in the applicable Primary Currency, such Lender or the Agent (as the case may be) agrees to remit to the Borrower such excess.

SECTION 8.12. Jurisdiction, Etc. (a) Each of the parties hereto hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of any New York State court or federal court of the United States of America sitting in New York City, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement or the Notes, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in any such New York State court or, to the extent permitted by law, in such federal court. The Borrower hereby irrevocably consents to the service of process in any action or proceeding in such courts by the mailing thereof by any parties hereto by registered or certified mail, postage prepaid, with an additional notice by telecopier or by reputable overnight delivery service, to the Borrower at its address specified pursuant to Section 8.02. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement shall affect any right that any party may otherwise have to bring any action or proceeding relating to this Agreement or the Notes in the courts of any jurisdiction.

(b) Each of the parties hereto irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection that it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement or the Notes in any New York State or federal court. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

SECTION 8.13. Substitution of Currency. If a change in any Foreign Currency occurs pursuant to any applicable law, rule or regulation of any governmental, monetary or multi-national authority, this Agreement (including, without limitation, the definitions of Eurocurrency Rate and LIBO Rate) will be amended to the extent determined by the Agent (acting reasonably and in consultation with the Borrower) to be necessary to reflect the change in currency and to put the Lenders and the Borrower in the same position, so far as possible, that they would have been in if no change in such Foreign Currency had occurred. No such change in currency nor any economic consequences resulting therefrom shall (a) give rise to any right to terminate prematurely, contest, cancel, rescind, alter, modify or renegotiate the provisions of this Agreement or (b) discharge, excuse or otherwise affect the performance of any obligations of any of the Borrower or the Lenders under this Agreement.

SECTION 8.14. Waiver of Jury Trial. Each of the Borrower, the Agent and the Lenders hereby irrevocably waives all right to trial by jury in any action, proceeding or counterclaim (whether based on contract, tort or otherwise) arising out of or relating to this Agreement or the Notes or the actions of the Agent or any Lender in the negotiation, administration, performance or enforcement thereof.

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

SNAP-ON INCORPORATED

By: /s/ Martin M. Ellen
Title: Senior Vice President-Finance and
Chief Financial Officer

THE AGENT

CITIBANK, N.A.,
as Agent

By: /s/ Carolyn A. Kee
Title: Vice President

INITIAL LENDERS

CITIBANK, N.A.,

By: /s/ Carolyn A. Kee
Title: Vice President

BANK ONE, NA

By: /s/ Michael B. Kelly
Title: Associate Director

BARCLAYS BANK PLC

By: /s/ Nicholas Bell
Title: Director

MIZUHO CORPORATE BANK, LTD.

By: /s/ Greg Botshon
Title: Senior Vice President

BANCO BILBAO VIZCAYA ARGENTARIA

By: /s/ Hector O. Villegas
Title: Vice President

By: /s/ Santiago Hernandez
Title: Vice President

BANK OF CHINA NEW YORK BRANCH

By: /s/ William W. Smith
Title: Chief Lending Officer

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FIFTH THIRD BANK

By: /s/ Ann Drea Burns
Title: Assistant Vice President

LASALLE BANK NATIONAL ASSOCIATION

By: /s/ John R. Falb
Title: First Vice President

ROYAL BANK OF CANADA

By: /s/ Suzanne Kaicher
Title: Attorney In Fact

SANPAOLO IMI S.p.A.

By: /s/ Renato Carducci
Title: General Manager

By: /s/ Robert Wurster
Title: Senior Vice President

SOCIETE GENERALE

By: /s/ Ambrish Thanawala
Title: Director

SVENSKA HANDELSBANKEN AB (PUBL)

By: /s/ Marcus Ronnestam
Title: Vice President

By: /s/ Mikael Westerback
Title: Senior Vice President

THE NORTHERN TRUST COMPANY

By: /s/ Christopher L. McKean
Title: Vice President

U.S. BANK NATIONAL ASSOCIATION

By: /s/ Janell W. Stanosz
Title: Vice President

COMMITMENTS AND APPLICABLE LENDING OFFICES

| <u>Name of Initial Lender</u> | <u>Commitment</u> | <u>Domestic Lending Office</u> | <u>Eurocurrency Lending Office</u> |
|--|-------------------|--|--|
| Banco Bilbao Vizcaya Argentaria S.A | \$ 22,000,000 | 1345 Avenue of the Americas 45th Floor New York, NY 10105 Attn: Hector Villegas T: 212 728-1513 F: 212 333-2904 | 1345 Avenue of the Americas 45th Floor New York, NY 10105 Attn: Hector Villegas T: 212 728-1513 F: 212 333-2904 |
| Bank of China New York Branch | \$ 22,000,000 | 410 Madison Avenue New York, NY 10017 Attn: Elaine Ho T: 212 935-3101 x281 F: 646 840-1796 | 410 Madison Avenue New York, NY 10017 Attn: Elaine Ho T: 212 935-3101 x281 F: 646 840-1796 |
| Barclays Bank PLC | \$ 37,500,000 | 200 Park Avenue New York, NY 10166 Attn: Jason Yoo T: 212 412-3432 F: 212 412-5308 | 200 Park Avenue New York, NY 10166 Attn: Jason Yoo T: 212 412-3432 F: 212 412-5308 |
| Bank One, NA | \$ 50,000,000 | 1 Bank One Plaza, Suite 0088 Chicago, IL 60670 Attn: Edna Guerra T: 312 732-9609 F: 312 732-2715 | 1 Bank One Plaza, Suite 0088 Chicago, IL 60670 Attn: Edna Guerra T: 312 732-9609 F: 312 732-2715 |
| Citibank, N.A | \$ 55,000,000 | Two Penns Way New Castle, DE 19720 Attn: Maureen Prytula | Two Penns Way New Castle, DE 19720 Attn: Maureen Prytula |

| | | | |
|-----------------------------------|-----------------------------|--|--|
| | | T: 302 894-6089 F: 302 894-6120 | T: 302 894-6089 F: 302 894-6120 |
| Fifth Third Bank | \$ 22,000,000 | 38 Fountain Square Plaza MD 109046 Cincinnati, OH 45202 Attn: Andrew Jones T: 513 534-0836 F: 513 534-5947 | 38 Fountain Square Plaza MD 109046 Cincinnati, OH 45202 Attn: Andrew Jones T: 513 534-0836 F: 513 534-5947 |
| LaSalle Bank National Association | \$ 22,000,000 | 411 E. Wisconsin Avenue Suite 1250 Milwaukee, WI 53202 Attn: Laura Connolly T: 414 220-9166 F: 414 224-0071 | 411 E. Wisconsin Avenue Suite 1250 Milwaukee, WI 53202 Attn: Laura Connolly T: 414 220-9166 F: 414 224-0071 |
| Mizuho Corporate Bank, Ltd. | \$ 37,500,000 | 1800 Plaza Ten Jersey City, NJ 07311 Attn: Nicole Ferrara T: 201 626-9341 F: 201 626-9913 | 1800 Plaza Ten Jersey City, NJ 07311 Attn: Nicole Ferrara T: 201 626-9341 F: 201 626-9913 |
| The Northern Trust Company | \$ 22,000,000 | 50 S. LaSalle Street Chicago, IL 60675 Attn: Linda Honda T: 312 444-3532 F: 312 630-1566 | 50 S. LaSalle Street Chicago, IL 60675 Attn: Linda Honda T: 312 444-3532 F: 312 630-1566 |
| Royal Bank of Canada | \$ 22,000,000 | One Liberty Plaza New York, NY 10006 Attn: Manager, Loans Administration T: 212 428-6322 F: 212 428-2372 | One Liberty Plaza New York, NY 10006 Attn: Manager, Loans Administration T: 212 428-6322 F: 212 428-2372 |
| Sanpaolo IMI S.p.A | \$ 22,000,000 | 245 Park Avenue 35th floor New York, NY 10167 Attn: Robert Wurster T: 212 692-3160 F: 212 692-3178 | 245 Park Avenue 35th floor New York, NY 10167 Attn: Robert Wurster T: 212 692-3160 F: 212 692-3178 |
| Societe Generale | \$ 22,000,000 | 560 Lexington Avenue New York, NY 10022 Attn: Sylvia Pace T: 212 278-6931 F: 212 278-7343 | 560 Lexington Avenue New York, NY 10022 Attn: Sylvia Pace T: 212 278-6931 F: 212 278-7343 |
| Svenska Handelsbanken AB (publ) | \$ 22,000,000 | 153 East 53rd Street New York, NY 10022 Attn: Mikael Westerback T: 212 326-5144 F: 212 326-2705 | 153 East 53rd Street New York, NY 10022 Attn: Mikael Westerback T: 212 326-5125 F: 212 326-5151 |
| U.S. Bank National Association | \$ 22,000,000 | 777 E. Wisconsin Ave. Milwaukee, WI 53202 Attn: Janell Stanosz T: 414 765-4419 F: 414 765-5367 | 777 E. Wisconsin Ave. Milwaukee, WI 53202 Attn: Janell Stanosz T: 414 765-4419 F: 414 765-5367 |
| Total Commitment | = U.S. \$400,000,000 | | |

Schedule 3.01(b)

Disclosed Litigation

On July 23, 2004, the Borrower filed an 8-K with the SEC regarding an agreement it has reached with the U.S. Department of Justice to resolve the government audit, previously discussed in the Borrower's 2003 Annual Report and Form 10-K, relating to two contracts with the U.S. General Services Administration (GSA). The Borrower has agreed to settle the claims over the interpretation and application of the price reduction and billing provisions of

EXHIBIT A-2 — FORM OF
 COMPETITIVE BID
 PROMISSORY NOTE

U.S.\$ _____ Dated: _____, 200_

FOR VALUE RECEIVED, the undersigned, SNAP-ON INCORPORATED, a Delaware corporation (the “Borrower”), HEREBY PROMISES TO PAY to the order of _____ (the “Lender”) for the account of its Applicable Lending Office (as defined in the Amended and Restated 364-Day Credit Agreement dated as of July 27, 2004 among the Borrower, the Lender and certain other lenders parties thereto, Citigroup Global Markets Inc., as Sole Lead Arranger and Book Manager, and Citibank, N.A., as Agent for the Lender and such other lenders (as amended or modified from time to time, the “Credit Agreement”; the terms defined therein being used herein as therein defined)), on _____, 200_, the principal amount of [U.S.\$ _____] [for a Competitive Bid Advance in a Foreign Currency, list currency and amount of such Advance].

The Borrower promises to pay interest on the unpaid principal amount hereof from the date hereof until such principal amount is paid in full, at the interest rate and payable on the interest payment date or dates provided below:

Interest Rate: _____% per annum (calculated on the basis of a year of _____ days for the actual number of days elapsed).

Both principal and interest are payable in lawful money of _____ to Citibank, as agent, for the account of the Lender at the office of _____, at _____ in same day funds.

This Promissory Note is one of the Competitive Bid Notes referred to in, and is entitled to the benefits of, the Credit Agreement. The Credit Agreement, among other things, contains provisions for acceleration of the maturity hereof upon the happening of certain stated events.

The Borrower hereby waives presentment, demand, protest and notice of any kind. No failure to exercise, and no delay in exercising, any rights hereunder on the part of the holder hereof shall operate as a waiver of such rights.

This Promissory Note shall be governed by, and construed in accordance with, the laws of the State of New York.

SNAP-ON INCORPORATED

By _____
 Title:

EXHIBIT B-1 - FORM OF NOTICE OF
 REVOLVING CREDIT BORROWING

Citibank, N.A., as Agent
 for the Lenders parties
 to the Credit Agreement
 referred to below
 Two Penns Way
 New Castle, Delaware 19720

[Date]

Attention: Bank Loan Syndications Department

Ladies and Gentlemen:

The undersigned, SNAP-ON INCORPORATED, refers to the Five Year Credit Agreement, dated as of July 27, 2004 (as amended or modified from time to time, the “Credit Agreement”, the terms defined therein being used herein as therein defined), among the undersigned, certain Lenders parties thereto, Citigroup Global Markets Inc., as Sole Lead Arranger and Book Manager, and Citibank, N.A., as Agent for said Lenders, and hereby gives you notice, irrevocably, pursuant to Section 2.02 of the Credit Agreement that the undersigned hereby requests a Revolving Credit Borrowing under the Credit Agreement, and in that connection sets forth below the information relating to such Revolving Credit Borrowing (the “Proposed Revolving Credit Borrowing”) as required by Section 2.02(a) of the Credit Agreement:

- (i) The Business Day of the Proposed Revolving Credit Borrowing is _____, 200_.
- (ii) The Type of Advances comprising the Proposed Revolving Credit Borrowing is [Base Rate Advances] [Eurocurrency Rate Advances].
- (iii) The aggregate amount of the Proposed Revolving Credit Borrowing is [\$ _____] [for a Revolving Credit Borrowing in a Committed Currency, list currency and amount of Revolving Credit Borrowing].
- [(iv) The initial Interest Period for each Eurocurrency Rate Advance made as part of the Proposed Revolving Credit Borrowing is _____ [month[s]] [days].]

The undersigned hereby certifies that the following statements are true on the date hereof, and will be true on the date of the Proposed Revolving Credit Borrowing:

(A) the representations and warranties contained in Section 4.01 of the Credit Agreement (except the representations set forth in the last sentence of subsection (e) thereof and in subsection (f)(i) thereof) are correct, before and after giving effect to the Proposed Revolving Credit Borrowing and to the application of the proceeds therefrom, as though made on and as of such date;

(B) no event has occurred and is continuing, or would result from such Proposed Revolving Credit Borrowing or from the application of the proceeds therefrom, that constitutes a Default; and

(C) after giving effect to such Proposed Revolving Credit Borrowing, the aggregate amount of the Borrower's Debt (not including other transactions relating to Snap-on Credit LLC) from any bank or financial institution or under any commercial paper facility or debt securities or securitization program outstanding will not exceed \$500,000,000 or, if greater, the amount authorized by resolutions of the Board of Directors in effect on the date of such Proposed Revolving Credit Borrowing.

Very truly yours,

SNAP-ON INCORPORATED

By _____
Title:

EXHIBIT B-2 - FORM OF NOTICE OF COMPETITIVE BID BORROWING

Citibank, N.A., as Agent
for the Lenders parties
to the Credit Agreement
referred to below
Two Penns Way
New Castle, Delaware 19720

[Date]

Attention: Bank Loan Syndications Department

Ladies and Gentlemen:

The undersigned, SNAP-ON INCORPORATED, refers to the Five Year Credit Agreement, dated as of July 27, 2004 (as amended or modified from time to time, the "Credit Agreement", the terms defined therein being used herein as therein defined), among the undersigned, certain Lenders parties thereto, Citigroup Global Markets Inc., as Sole Lead Arranger and Book Manager, and Citibank, N.A., as Agent for said Lenders, and hereby gives you notice, irrevocably, pursuant to Section 2.03 of the Credit Agreement that the undersigned hereby requests a Competitive Bid Borrowing under the Credit Agreement, and in that connection sets forth the terms on which such Competitive Bid Borrowing (the "Proposed Competitive Bid Borrowing") is requested to be made:

- (A) Date of Competitive Bid Borrowing _____
- (B) Amount of Competitive Bid Borrowing _____
- (C) [Maturity Date] [Interest Period] _____
- (D) Interest Rate Basis _____
- (E) Day Count Convention _____
- (F) Interest Payment Date(s) _____
- (G) Currency _____
- (H) Borrower's Account Location _____
- [(I) Prepayments Permitted _____]
- (J) _____

The undersigned hereby certifies that the following statements are true on the date hereof, and will be true on the date of the Proposed Competitive Bid Borrowing:

(a) the representations and warranties contained in Section 4.01 are correct, before and after giving effect to the Proposed Competitive Bid Borrowing and to the application of the proceeds therefrom, as though made on and as of such date;

(b) no event has occurred and is continuing, or would result from the Proposed Competitive Bid Borrowing or from the application of the proceeds therefrom, that constitutes a Default;

(c) no event has occurred and no circumstance exists as a result of which the information concerning the undersigned that has been provided to the Agent and each Lender by the undersigned in connection with the Credit Agreement would include an untrue statement of a material fact or omit to state any material fact or any fact necessary to make the statements contained therein, in the light of the circumstances under which they were made, not misleading;

(d) the aggregate amount of the Proposed Competitive Bid Borrowing, if accepted by the Borrower, and all other Borrowings to be made on the same day under the Credit Agreement is within the aggregate amount of the unused Commitments of the Lenders, and

(e) after giving effect to the Proposed Competitive Bid Borrowing, the aggregate amount of the Borrower's Debt (not including other transactions relating to Snap-on Credit LLC) from any bank or financial institution or under any commercial paper facility or debt securities or securitization program outstanding will not exceed \$500,000,000 or, if greater, the amount authorized by resolutions of the Board of Directors in effect on the date of the Proposed Competitive Bid Borrowing.

Very truly yours,

SNAP-ON INCORPORATED

By _____
Title:

EXHIBIT C — FORM OF
ASSIGNMENT AND ACCEPTANCE

Reference is made to the Five Year Credit Agreement dated as of July 27, 2004 (as amended or modified from time to time, the "Credit Agreement") among Snap-On Incorporated, a Delaware corporation (the "Borrower"), the Lenders (as defined in the Credit Agreement), Citigroup Global Markets Inc., as Sole Lead Arranger and Book Manager, and Citibank, N.A., as agent for the Lenders (the "Agent"). Terms defined in the Credit Agreement are used herein with the same meaning.

The "Assignor" and the "Assignee" referred to on Schedule I hereto agree as follows:

1. The Assignor hereby sells and assigns to the Assignee, and the Assignee hereby purchases and assumes from the Assignor, an interest in and to the Assignor's rights and obligations under the Credit Agreement as of the date hereof (other than in respect of Competitive Bid Advances and Competitive Bid Notes) equal to the percentage interest specified on Schedule I hereto of all outstanding rights and obligations under the Credit Agreement (other than in respect of Competitive Bid Advances and Competitive Bid Notes) and, to the extent permitted by applicable law, all claims, suits, causes of action and any other right of the Assignor (in its capacity as a Lender) against any Person, whether known or unknown, arising under or in connection with the Credit Agreement, any other documents or instruments delivered pursuant thereto or the transactions governed thereby, including but not limited to contract claims, tort claims, malpractice claims, statutory claims and all other claims at law or in equity related to the rights and obligations sold and assigned hereby. After giving effect to such sale and assignment, the Assignee's Commitment and the amount of the Revolving Credit Advances owing to the Assignee will be as set forth on Schedule I hereto.

2. The Assignor (i) represents and warrants that it is the legal and beneficial owner of the interest being assigned by it hereunder and that such interest is free and clear of any adverse claim; (ii) makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with the Credit Agreement or the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Credit Agreement or any other instrument or document furnished pursuant thereto; (iii) makes no representation or warranty and assumes no responsibility with respect to the financial condition of the Borrower or the performance or observance by the Borrower of any of its obligations under the Credit Agreement or any other instrument or document furnished pursuant thereto; and (iv) attaches the Revolving Credit Note, if any held by the Assignor.

3. The Assignee (i) confirms that it has received a copy of the Credit Agreement, together with copies of the financial statements referred to in Section 4.01 thereof and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and Acceptance; (ii) agrees that it will, independently and without reliance upon the Agent, the Assignor or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Credit Agreement; (iii) represents to the Assignor, the Agent and the Borrower that it is an Eligible Assignee; (iv) appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers and discretion under the Credit Agreement as are delegated to the Agent by the terms thereof, together with such powers and discretion as are reasonably incidental thereto; (v) agrees that it will perform in accordance with their terms all of the obligations that by the terms of the Credit Agreement are required to be performed by it as a Lender; and (vi) attaches any U.S. Internal Revenue Service forms required under Section 2.14 of the Credit Agreement.

4. Following the execution of this Assignment and Acceptance, it will be delivered to the Agent for acceptance and recording by the Agent. The effective date for this Assignment and Acceptance (the "Effective Date") shall be the date of acceptance hereof by the Agent, unless otherwise specified on Schedule I hereto.

5. Upon such acceptance and recording by the Agent, as of the Effective Date, (i) the Assignee shall be a party to the Credit Agreement and, to the extent provided in this Assignment and Acceptance, have the rights and obligations of a Lender thereunder and (ii) the Assignor shall, to the extent provided in this Assignment and Acceptance, relinquish its rights and be released from its obligations under the Credit Agreement.

6. Upon such acceptance and recording by the Agent, from and after the Effective Date, the Agent shall make all payments under the Credit Agreement and the Revolving Credit Notes in respect of the interest assigned hereby (including, without limitation, all payments of principal, interest and facility fees with respect thereto) to the Assignee. The Assignor and Assignee shall make all appropriate adjustments in payments under the Credit Agreement and the Revolving Credit Notes for periods prior to the Effective Date directly between themselves.

7. This Assignment and Acceptance shall be governed by, and construed in accordance with, the laws of the State of New York.

8. This Assignment and Acceptance 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 Schedule 1 to this Assignment and Acceptance by telecopier shall be effective as delivery of a manually executed counterpart of this Assignment and Acceptance.

IN WITNESS WHEREOF, the Assignor and the Assignee have caused Schedule 1 to this Assignment and Acceptance to be executed by their officers thereunto duly authorized as of the date specified thereon.

Schedule 1
to
Assignment and Acceptance

Percentage interest assigned: _____%

Assignee's Commitment: \$ _____

Aggregate outstanding principal amount of Revolving Credit Advances assigned: \$ _____

Principal amount of Revolving Credit Note payable to Assignee: \$ _____

Principal amount of Revolving Credit Note payable to Assignor: \$ _____

Effective Date*: _____, 200_

[NAME OF ASSIGNOR], as Assignor

By _____
Title:

Dated: _____, 200_

[NAME OF ASSIGNEE], as Assignee

By _____
Title:

Dated: _____, 200_

Domestic Lending Office:
[Address]

Eurocurrency Lending Office:
[Address]

* This date should be no earlier than five Business Days after the delivery of this Assignment and Acceptance to the Agent.

Accepted [and Approved]* this

_____ day of _____, 200_

CITIBANK, N.A., as Agent

By _____
Title:

[Approved this _____ day

of _____, 200_

SNAP-ON INCORPORATED

By _____]**
Title:

* Required if the Assignee is an Eligible Assignee solely by reason of clause (iii) of the definition of "Eligible Assignee".

** Required if the Assignee is an Eligible Assignee solely by reason of clause (iii) of the definition of "Eligible Assignee".

EXHIBIT D — FORM OF
OPINION OF COUNSEL
FOR THE BORROWER

EXECUTION COPY

U.S. \$400,000,000

FIVE YEAR CREDIT AGREEMENT

Dated as of July 27, 2004

Among

SNAP-ON INCORPORATED

as Borrower

and

THE INITIAL LENDERS NAMED HEREIN

as Initial Lenders

and

CITIGROUP GLOBAL MARKETS INC.

as Sole Lead Arranger and Book Manager

and

CITIBANK, N.A.

as Administrative Agent

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Exhibits

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| Exhibit A-1 | - | Form of Revolving Credit Note |
| Exhibit A-2 | - | Form of Competitive Bid Note |
| Exhibit B-1 | - | Form of Notice of Revolving Credit Borrowing |
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| Exhibit C | - | Form of Assignment and Acceptance |
| Exhibit D-1 | - | Form of Opinion of Counsel for the Borrower |
| Exhibit D-2 | - | Form of Opinion of Counsel for the Borrower |

Exhibit (12)

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

| | Three Months Ended | | Nine Months Ended | |
|--|--------------------|-----------------------|--------------------|-----------------------|
| | October 2, 2004 | September 27, 2003 | October 2, 2004 | September 27, 2003 |
| Net earnings | \$ 22.8 | \$ 17.7 | \$ 57.7 | \$ 61.4 |
| Add (deduct): | | | | |
| Income taxes | 6.8 | 5.2 | 25.6 | 28.7 |
| Minority interest in earnings of consolidated subsidiaries | 0.7 | 0.8 | 3.0 | 1.9 |
| Net earnings as defined | 30.3 | 23.7 | 86.3 | 92.0 |
| Fixed Charges: | | | | |
| Interest on debt | 6.1 | 5.8 | 17.4 | 18.2 |
| Interest element of rentals | 1.7 | 1.3 | 5.1 | 3.9 |
| Total fixed charges | 7.8 | 7.1 | 22.5 | 22.1 |
| Total adjusted earnings available for payment of fixed charges | \$ 38.1 | \$ 30.8 | \$ 108.8 | \$ 114.1 |
| Ratio of earnings to fixed charges | 4.9 | 4.3 | 4.8 | 5.2 |

For purpose of computing this ratio, "Net Earnings" consists of (a) income from continuing operations before income taxes and adjusted for minority interest, and (b) "Fixed Charges," consists of interest on debt and the estimated interest portion of rents.

CERTIFICATIONS

I, Dale F. Elliott, Chief Executive Officer of Snap-on Incorporated, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Snap-on Incorporated;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 8, 2004

/s/ Dale F. Elliott

Dale F. Elliott
Chief Executive Officer

CERTIFICATIONS

I, Martin M. Ellen, Principal Financial Officer of Snap-on Incorporated, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Snap-on Incorporated;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 8, 2004

/s/ Martin M. Ellen

Martin M. Ellen

Principal Financial Officer

**Certification of Chief Executive Officer Pursuant to
18 U.S.C. Section 1350,
As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Quarterly Report of Snap-on Incorporated (the "Company") on Form 10-Q for the period ending October 2, 2004, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Dale F. Elliott as Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, to the best of his knowledge, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Dale F. Elliott
Dale F. Elliott
Chief Executive Officer
November 8, 2004

A signed original of this written statement required by Section 906 has been provided to Snap-on Incorporated and will be retained by Snap-on Incorporated and furnished to the Securities and Exchange Commission or its staff upon request.

**Certification of Principal Financial Officer
Pursuant to 18 U.S.C. Section 1350,
As Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Quarterly Report of Snap-on Incorporated (the "Company") on Form 10-Q for the period ending October 2, 2004, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Martin M. Ellen as Principal Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, to the best of his knowledge, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Martin M. Ellen

Martin M. Ellen
Principal Financial Officer
November 8, 2004

A signed original of this written statement required by Section 906 has been provided to Snap-on Incorporated and will be retained by Snap-on Incorporated and furnished to the Securities and Exchange Commission or its staff upon request.