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

FORM 10-Q

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

For quarterly period ended June 29, 2002

Commission File Number 1-7724

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

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

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

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

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

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

Class	Outstanding at July 27, 2002
Common stock, $1 par value	58,351,758 shares

SNAP-ON INCORPORATED

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PART I. FINANCIAL INFORMATION

Item 1: Financial Statements

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

	Three Months Ended		Six Months Ended	
	June 29, 2002	June 30, 2001	June 29, 2002	June 30, 2001
Net sales				
Snap-on Dealer Group	$ 274.6	$ 261.3	$ 530.6	$ 517.7
Commercial and Industrial Group	272.6	264.3	526.6	535.3
	547.2	525.6	1,057.2	1,053.0
Cost of goods sold	(295.8)	(286.3)	(570.1)	(570.0)
Operating expenses	(202.8)	(205.9)	(400.7)	(408.4)
Net finance income	8.8	7.9	16.1	20.0
Restructuring and other non-recurring charges	(1.4)	(14.4)	(4.8)	(14.4)
Interest expense	(7.5)	(9.2)	(15.3)	(18.1)
Other income (expense) - net	(2.9)	(1.6)	(3.0)	.3
Earnings before income taxes	45.6	16.1	79.4	62.4
Income taxes	16.4	7.2	28.5	24.1
Earnings before cumulative effect of a change in accounting principle	29.2	8.9	50.9	38.3
Cumulative effect of a change in accounting principle for goodwill in 2002 (net of tax of $0 million), and for derivatives in 2001 (net of $1.6 million tax benefit)	--	--	2.8	(2.5)
Net earnings	$ 29.2	$ 8.9	$ 53.7	$ 35.8
Net earnings per share - basic and diluted:				
Earnings before cumulative effect of a change in accounting principle	$ .50	$ .15	$ .87	$ .66
Cumulative effect of a change in accounting principle, net of tax	--	--	.05	(.05)
Net earnings per share	$ .50	$ .15	$ .92	$ .61
Weighted-average shares outstanding:				
Basic	58.2	57.9	58.1	57.8
Effect of dilutive options	.5	.3	.5	.3
Diluted	58.7	58.2	58.6	58.1
Dividends declared per common share	$ .48	$ .48	$ .72	$ .72

See Notes to Consolidated Financial Statements.

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

	June 29, 2002 (Unaudited)	December 29, 2001
ASSETS		
Current Assets		
Cash and cash equivalents	$ 6.2	$ 6.7
Accounts receivable - net of allowances	636.4	615.2
Inventories		
Finished goods	369.8	351.4
Work in process	51.2	41.5
Raw materials	88.9	77.2
Excess of current cost over LIFO cost	(95.4)	(94.9)
Total inventory	414.5	375.2
Prepaid expenses and other assets	139.2	142.3
Total current assets	1,196.3	1,139.4
Property and equipment		

Land	24.1	23.4
Buildings and improvements	198.1	195.5
Machinery and equipment	528.4	501.3
	750.6	720.2
Accumulated depreciation	(418.5)	(392.5)
Property and equipment - net	332.1	327.7
Deferred income tax benefits	29.0	27.7
Goodwill - net	356.0	331.2
Other intangibles - net	62.8	60.7
Other assets	98.4	87.6
Total assets	$ 2,074.6	$ 1,974.3

See Notes to Consolidated Financial Statements.

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

	June 29, 2002 (Unaudited)	December 29, 2001
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable	$ 203.1	$ 141.2
Notes payable and current maturities of long-term debt	19.7	29.1
Accrued compensation	60.0	58.7
Dealer deposits	47.2	42.0
Deferred subscription revenue	46.3	45.0
Accrued restructuring reserves	10.5	23.1
Other accrued liabilities	199.9	210.3
Total current liabilities	586.7	549.4
Long-term debt	430.4	445.5
Deferred income taxes	27.8	24.7
Retiree health care benefits	93.0	92.7
Pension liability	58.7	54.5
Other long-term liabilities	27.5	31.7
Total liabilities	1,224.1	1,198.5
SHAREHOLDERS' EQUITY		
Preferred stock - authorized 15,000,000 shares of $1 par value; none outstanding	-	-
Common stock - authorized 250,000,000 shares of $1 par value; issued 66,885,906 and 66,847,107 shares	66.9	66.8
Additional paid-in capital	81.5	108.0
Retained earnings	1,040.5	1,014.7
Accumulated other comprehensive income (loss)	(81.9)	(120.6)
Grantor stock trust at fair market value - 5,413,572 and 5,984,145 shares	(160.0)	(203.0)
Treasury stock at cost - 3,121,462 and 2,923,435 shares	(96.5)	(90.1)
Total shareholders' equity	850.5	775.8
Total liabilities and shareholders' equity	$ 2,074.6	$ 1,974.3

See Notes to Consolidated Financial Statements.

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

	Six Months Ended	
	June 29, 2002	June 30, 2001
OPERATING ACTIVITIES		
Net earnings	$ 53.7	$ 35.8
Adjustments to reconcile net earnings to net cash provided (used) by operating activities:		
Cumulative effect of a change in accounting principle (net of tax) for goodwill in 2002 and for derivatives in 2001	(2.8)	2.5

Depreciation	25.7	25.8
Amortization of goodwill	-	6.9
Amortization of intangibles	.8	1.9
Deferred income tax provision	22.9	3.5
Gain on sale of assets	(.3)	(.3)
Mark-to-market on cash flow hedges, net of tax	(.7)	(.8)
Restructuring and other non-recurring charges, net of tax	3.1	9.0
Changes in operating assets and liabilities, net of effects of acquisitions:		
(Increase) decrease in receivables	(2.7)	11.2
(Increase) decrease in inventories	(25.3)	(38.0)
(Increase) decrease in prepaid and other assets	(25.6)	(19.0)
Increase (decrease) in accounts payable	57.0	3.1
Increase (decrease) in accruals and other liabilities	(43.4)	(15.3)
Net cash provided by operating activities	62.4	26.3
INVESTING ACTIVITIES		
Capital expenditures	(26.3)	(23.6)
Acquisitions of businesses - net of cash acquired	(.8)	(.9)
Disposal of property and equipment	4.1	4.5
Net cash used in investing activities	(23.0)	(20.0)
FINANCING ACTIVITIES		
Payment of long-term debt	(2.8)	(3.8)
Increase in long-term debt	2.2	.7
Increase (decrease) in short-term borrowings - net	(22.6)	18.5
Purchase of treasury stock	(6.4)	(4.9)
Proceeds from stock purchase and option plans	16.5	11.7
Cash dividends paid	(27.8)	(27.7)
Net cash used in financing activities	(40.9)	(5.5)
Effect of exchange rate changes on cash	1.0	(.4)
Increase (decrease) in cash and cash equivalents	(.5)	.4
Cash and cash equivalents at beginning of period	6.7	6.1
Cash and cash equivalents at end of period	$ 6.2	$ 6.5
Supplemental cash flow disclosures:		
Cash paid for interest	$ 15.3	$ 19.3
Cash paid (refunded) for income taxes	$ (3.9)	$ 11.6

See Notes to Consolidated Financial Statements.

SNAP-ON INCORPORATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. This report should be read in conjunction with the consolidated financial statements and related notes included in Snap-on Incorporated's ("Snap-on") Annual Report on Form 10-K for the year ended December 29, 2001.

   In the opinion of management, all adjustments (consisting only of normal recurring adjustments and adjustments related to restructuring and other non-recurring charges) necessary to a fair statement of financial condition and results of operations for the three and six months ended June 29, 2002, have been made. Management also believes that the results of operations for the three and six months ended June 29, 2002, are not necessarily indicative of the results to be expected for the full year.

2. On December 30, 2001, the beginning of Snap-on's 2002 fiscal year, Snap-on adopted Statement of Financial Accounting Standards ("SFAS") No. 142 "Goodwill and Other Intangible Assets." This Statement is required to be applied to all goodwill and other intangible assets recognized by the corporation as of December 30, 2001, and it changes the subsequent accounting for these assets in the following significant respects:

   The provisions of SFAS No. 142 require that i) goodwill no longer be amortized, ii) negative goodwill be recorded as a cumulative effect of an accounting change as of the beginning of the 2002 fiscal year, iii) other intangible assets be evaluated on an annual basis to determine whether they have finite or indefinite useful lives, and iv) goodwill be evaluated on an annual basis for impairment. Intangible assets determined to have finite lives are amortized over those estimated lives, and intangible assets that have indefinite useful lives are not amortized.

SFAS No. 142 sets forth a number of factors to be considered in establishing the useful life of intangible assets. These factors include product life cycles, market competition and other economic trends, as well as the level of maintenance required to obtain future cash flows. The useful lives of all intangible assets as of December 30, 2001, were assessed using these criteria.

In accordance with the adoption provisions of SFAS No. 142, Snap-on completed the transitional assessment of its other intangible assets in evaluating and assigning a finite or indefinite useful life. Snap-on also completed the transitional goodwill impairment evaluation required by this standard, the results of which indicated that the carrying values of goodwill and other intangibles are not impaired.

Snap-on recorded a cumulative effect of a change in accounting principle transition adjustment that increased net earnings in the first quarter of 2002 by $2.8 million, on both a pretax and after-tax basis, from the recognition of negative goodwill as prescribed by SFAS No. 142.

Snap-on ceased amortizing goodwill and certain other intangibles at the beginning of its 2002 fiscal year as required by SFAS No. 142. The following is a reconciliation of earnings before

cumulative effect of a change in accounting principle, net earnings, and earnings per share data for the second quarter and six months ended June 30, 2001, reflecting the impact of this standard on prior-year reported results as if SFAS No. 142 had been in effect during these periods.

	Three Months Ended		Six Months Ended	
(Amounts in millions except per share data)	June 29, 2002	June 30, 2001	June 29, 2002	June 30, 2001
Earnings before cumulative effect of a change in accounting principle as reported:	$29.2	$ 8.9	$50.9	$38.3
Goodwill amortization, net of tax	-	3.0	-	5.9
Trademark amortization, net of tax	-	0.2	-	0.4
Adjusted earnings before cumulative effect item	$29.2	$12.1	$50.9	$44.6
Net earnings as reported:	$29.2	$ 8.9	$53.7	$35.8
Goodwill amortization, net of tax	-	3.0	-	5.9
Trademark amortization, net of tax	-	0.2	-	0.4
Adjusted net earnings	$29.2	$12.1	$53.7	$42.1
Earnings per share before cumulative effect of a change in accounting principle as reported:				
Basic	$0.50	$0.15	$0.87	$0.66
Diluted	0.50	0.15	0.87	0.66
Adjusted earnings per share before cumulative effect item:				
Basic	$0.50	$0.21	$0.87	$0.77
Diluted	0.50	0.21	0.87	0.77
Net earnings per share as reported:				
Basic	$0.50	$0.15	$0.92	$0.61
Diluted	0.50	0.15	0.92	0.61
Adjusted earnings per share:				
Basic	$0.50	$0.21	$0.92	$0.72
Diluted	0.50	0.21	0.92	0.72

Additional disclosures related to acquired intangible assets are as follows:

June 29, 2002	December 29, 2001

(Amounts in millions)	Gross Carrying Value	Accumulated Amortization	Gross Carrying Value	Accumulated Amortization
Amortized Intangible Assets:				
Trademarks	$ 1.9	$ (.2)	$ 1.7	$ (.2)
Patents	27.8	(7.3)	27.2	(6.3)
Total	29.7	(7.5)	28.9	(6.5)
Unamortized Intangible Assets:				
Trademarks	45.4	(4.8)	42.8	(4.5)
Total Intangible Assets	$75.1	$(12.3)	$71.7	$(11.0)

The weighted average amortization period for trademarks is 40 years, for patents 16 years, and in total is 37 years.

Goodwill as of June 29, 2002, was $356.0 million, up $24.8 million from year-end 2001 levels, reflecting an increase of $1.1 million from a first-quarter 2002 acquisition and $23.7 million from currency translation impacts.

The aggregate amortization expense for the three and six months ended June 29, 2002, was $.2 million and $.8 million. Total estimated annual amortization expense expected for the fiscal years 2002 through 2006 is as follows:

(Amounts in millions)	Estimated Amortization Expense
2002	$2.1
2003	1.9
2004	1.8
2005	1.8
2006	1.7

3. Snap-on announced in the second quarter of 2001 that it was taking significant action to (i) reduce costs companywide to adjust to the slower sales environment and (ii) improve operational performance in businesses not earning acceptable financial returns. As a result of selective rationalization and consolidation actions, Snap-on recorded $62.0 million in pretax restructuring and other non-recurring charges in 2001 for actions that include the consolidation or closure of 35 facilities, asset write-downs and severance costs to effect a 6% reduction in workforce. The $62.0 million charge includes restructuring charges of $40.3 million and non-recurring charges of $21.7 million. The restructuring charge of $40.3 million includes $27.1 million for severance costs associated with the planned elimination of 796 salaried and hourly positions, $6.0 million for non-cancelable lease agreements, $5.9 million for facility asset write-downs, and $1.3 million for exit-related legal and professional services. The $21.7 million of other non-recurring charges includes $12.6 million for restructuring-related inventory write-downs and additional inventory write-downs

and warranty costs associated with Snap-on's exiting of an unprofitable segment of the emissions-testing business, $8.4 million for management transition costs associated with the appointment of Dale F. Elliott as successor to the Chief Executive Officer position, and $.7 million for equipment and employee relocation costs associated with the facility consolidations.

Snap-on expects to incur an estimated $7 million in restructuring-related costs in 2002 for the completion of its 2001 restructuring and other activities. These costs do not qualify for restructuring accrual treatment and are expensed as incurred.

In the second quarter of 2002, Snap-on incurred $1.4 million in restructuring-related charges for employee and equipment relocation costs and professional fees. For the first six months of 2002, Snap-on incurred restructuring and non-recurring charges of $4.8 million, including $3.0 million related to the 2002 resignation of Snap-on's former Chief Financial Officer and $1.8 million for employee and equipment relocation costs.

The composition of Snap-on's restructuring charge activity for the second quarter ended June 29, 2002, was as follows:

(Amounts in millions)	Restructuring Reserve As of March 30, 2002	Usage	Restructuring Reserve as of June 29, 2002
Severance costs	$13.7	$ (4.2)	$9.5
Facility consolidation or closure costs	1.7	(.7)	1.0
Total restructuring reserves	$15.4	$ (4.9)	$10.5

The restructuring reserve usage for the second quarter ended June 29, 2002, of $4.9 million represents $4.2 million for severance payments related to the separation of 91 employees and $.7 million for facility consolidation or closure costs. The restructuring reserve usage for the six months ended June 29, 2002, of $12.6 million represents $11.6 million for severance payments related to the separation of 267 employees and $1.0 million for facility consolidation or closure costs. Of the $40.3 million of restructuring reserves established in 2001, $29.8 million has been used to date, consisting of $17.6 million for severance payments related to the separation of 539 of the 796 identified employees, $6.3 million for facility consolidation or closure costs related to 22 of the 35 facilities identified, and $5.9 million for asset write-downs. Snap-on has funded and expects to continue to fund the remaining cash requirements of its 2001 restructuring activities with cash flows from operations and borrowings under the company's existing credit facilities. The specific restructuring measures and estimated costs were based on management's best business judgment under prevailing circumstances. Snap-on believes that the restructuring reserve balance of $10.5 million as of June 29, 2002, is adequate to complete all announced activities and anticipates that all actions will be completed by the end of 2002.

4. Snap-on accounts for its hedging activities under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended by SFAS No. 138. These standards require that all derivative instruments be reported in the consolidated financial statements at fair value. Changes in the fair value of derivatives are to be recorded each period in earnings or "Accumulated other

comprehensive income (loss)," depending on the type of hedged transaction and whether the derivative is designated and effective as part of a hedged transaction. Gains or losses on derivative instruments reported in "Accumulated other comprehensive income (loss)" must be reclassified as earnings in the period in which earnings are affected by the underlying hedged item, and the ineffective portion of all hedges must be recognized in earnings in the current period.

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

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

Foreign Currency Derivative Instruments: Snap-on has operations in a number of countries 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 June 29, 2002, Snap-on had net outstanding foreign exchange forward contracts totaling $193.7 million comprised of buy contracts of $75.5 million in Swedish kronor and sell contracts of $118.3 million in euros, $74.5 million in British pounds, $38.6 million in Canadian dollars, $11.4 million in Singapore dollars, $6.3 million in Australian dollars, $5.8 million in Danish kronor, $4.8 million in Norwegian kronor and $9.5 million in other currencies. At December 29, 2001, Snap-on had net outstanding foreign exchange forward contracts totaling $191.3 million comprised of buy contracts of $55.1 million in Swedish kronor and sell contracts of $113.6 million in euros, $73.8 million in British pounds, $31.2 million in Canadian dollars, $8.8 million in Singapore dollars, $4.9 million in Danish kronor, $4.4 million in Australian dollars and $9.7 million in other currencies.

The majority of Snap-on's forward exchange contracts do not qualify for hedge accounting treatment under SFAS No. 133 and are therefore excluded from the assessment of effectiveness. The fair value changes of these contracts are reported in earnings as foreign exchange gain or loss, which is included in "Other income (expense) - 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)." When the hedged item is realized in income, the gain or loss included in "Accumulated other comprehensive income (loss)" is reclassified to income in the same financial statement caption as the hedged item. The ineffective portion of changes in fair value of the cash flow hedges are reported in earnings as foreign exchange gain or loss, which is included in "Other income (expense) - net" and which were not material.

Non-Derivative Instruments Designated in Hedging Relationships: Snap-on uses non-U.S. dollar financing transactions as net investment hedges of long-term investments in the corresponding foreign currency. Hedges that meet the effectiveness requirements are accounted for under net investment hedging rules. The effective portion of the net investment hedge of a foreign operation is recorded in "Accumulated other comprehensive income (loss)" as a cumulative translation adjustment. When applicable, the ineffective portion of the net investment hedge is recorded in earnings as foreign exchange gain or loss, which is included in "Other income (expense) - net" and which were not material. At June 29, 2002, net losses of $.7 million arising from effective hedges of net investments have been reflected in the cumulative translation adjustment account as a component of "Accumulated other comprehensive income (loss)."

Interest Rate Swap Agreements: Snap-on enters into interest rate swap agreements to manage interest costs and risks associated with changing interest rates. 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" 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 $50.0 million at June 29, 2002 and $25.0 million at December 29, 2001.

For all derivatives qualifying for hedge accounting under SFAS No. 133, the net accumulated derivative loss at June 29, 2002, was $1.9 million, after tax, and is reflected in "Accumulated other comprehensive income (loss)." At June 29, 2002, the maximum maturity date of any cash flow hedge and fair value hedge was approximately 33 months and 9.1 years, respectively. During the next 12 months, Snap-on expects to reclassify into earnings net losses from "Accumulated other comprehensive income (loss)" of approximately $1.3 million after tax at the time the underlying hedged transactions are realized.

During the second quarter ended June 29, 2002, cash flow hedge and fair value hedge ineffectiveness was not material.

5. Snap-on normally declares and pays in cash four regular, quarterly dividends. However, the third quarter dividend in each year is declared in June, giving rise to two regular quarterly dividends appearing in the second quarter and, correspondingly, three regular dividends appearing in the first six months' statements.

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

7. Accounting Pronouncements:

In June 2002, the FASB issued SFAS No. 146, "Accounting for Exit or Disposal Activities." SFAS No. 146 addresses significant issues regarding the recognition, measurement, and reporting of costs that are associated with exit and disposal activities, including restructuring activities that are currently accounted for pursuant to the guidance that the Emerging Issues Task Force ("EITF") has set forth in EITF Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." The scope of SFAS No. 146 also includes (1) costs related to terminating a contract that is not a capital lease and (2) termination benefits that employees who are involuntarily terminated receive under the terms of a one-time benefit arrangement that is not an ongoing benefit arrangement or an individual deferred-compensation contract. SFAS No. 146 will be effective for exit or disposal activities that are initiated after December 31, 2002.

On December 30, 2001, the beginning of the 2002 fiscal year, Snap-on adopted SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," which supersedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of." The statement provides a single accounting model for long-lived assets to be disposed of. The effect of this change in accounting principle was not material to Snap-on's financial position or results of operations.

In June 2001, the Financial Accounting Standards Board issued SFAS No. 143, "Accounting for Asset Retirement Obligations." SFAS No. 143 addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets. The statement requires that the fair value of a liability for an asset's retirement obligation be recognized in the period in which it is incurred and capitalized as part of the carrying amount of the long-lived asset. The statement will be effective for fiscal years beginning after June 15, 2002. Snap-on believes that the effects of this pronouncement will not be material to Snap-on's financial position or results of operations.

8. Total comprehensive income for the three and six month periods ended June 29, 2002, and June 30, 2001, was as follows:

(Amounts in millions)	Three Months Ended June 29, 2002	Three Months Ended June 30, 2001	Six Months Ended June 29, 2002	Six Months Ended June 30, 2001
Net earnings	$ 29.2	$ 8.9	$ 53.7	$ 35.8
Foreign currency translation	46.6	(11.5)	39.5	(32.3)
Change in fair value of derivative instruments, net of tax	(2.9)	.2	(.7)	(.8)
Total comprehensive income	$ 72.9	$ (2.4)	$ 92.5	$ 2.7

9. On February 20, 1998, Snap-on filed a complaint alleging infringement of certain of Snap-on's patents by Hunter Engineering Company ("Hunter"). Hunter counterclaimed, alleging infringement of certain of its patents and one trademark. The parties settled claims related to several of the patents and a contractual dispute. In April 2002, the court set a trial date of October 14, 2002, regarding six patents, three belonging to Snap-on and three belonging to Hunter. Since that time, the parties have cross-licensed one patent on each side and settled the trademark action. No pleadings related to the four patents set for trial contained specific allegations of damages; however, in recently filed expert reports, Snap-on claims damages in excess of $50 million and Hunter claims damages of less than $30 million, exclusive of prejudgment interest, penalties for alleged willful infringement and/or the value of injunctive relief. No trial date has been set for the remaining patents pending in the above case. Although management believes that Snap-on will prevail, it is not possible at this time to predict the outcome of this matter with certainty. As a result, Snap-on has not recorded any related gain or loss contingencies in its financial statements. In addition, a March 2003 trial date has been set for a case filed by Hunter in May 2002 involving two additional Hunter patents, and Snap-on has moved to consolidate that case with the above litigation. Specific allegations of damages relating to these two additional patents do not appear in the pleading. Snap-on holds a vast patent portfolio and vigorously prosecutes its claims and defends its patents in the ordinary course of business.

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

During 2001, Snap-on entered into a binding arbitration process with SPX Corporation related to infringement of patents. The arbitrator ruled in favor of SPX and Snap-on paid damages of $44.0 million in January 2002 to SPX.

10. Snap-on has two reportable segments: the Snap-on Dealer Group and the Commercial and Industrial Group. These segments are based on the organization structure used by management for making operating and investment decisions and for assessing performance. The Snap-on Dealer Group consists of Snap-on's business operations serving the worldwide dealer van channel. The Commercial and Industrial Group consists of the business operations serving the worldwide non-

dealer tool and equipment products businesses. These two segments derive revenues primarily from the sale of tools and equipment.

Snap-on evaluates the performance of its operating segments based on segment net sales and operating earnings. Snap-on defines operating earnings for segment reporting purposes as Net Sales less Cost of Goods Sold and Operating Expenses, excluding restructuring and non-recurring charges. Snap-on accounts for intersegment sales and transfers based primarily on standard costs established between the segments. Snap-on allocates shared service expenses to those segments that utilize the services based on their percentage of revenues from external sources. Restructuring and other non-recurring charges are not allocated to the reportable segments. Had it been Snap-on's policy to allocate restructuring and other non-recurring charges to its reportable segments, such charges of $1.4 million and $4.8 million for the three and six months ended June 29, 2002, would have been allocated to the segments as follows: Snap-on Dealer Group - $0 and $1.6 million, respectively, and Commercial and Industrial Group - $1.4 million and $3.2 million, respectively. For the three and six month periods ended June 30, 2001, charges of $14.4 million would have been allocated to the segments as follows: Snap-on Dealer Group - $8.4 million for both periods and Commercial and Industrial Group - $6.0 million for both periods.

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

Financial data by segment was as follows:

(Amounts in millions)	Three Months Ended June 29, 2002	Three Months Ended June 30, 2001	Six Months Ended June 29, 2002	Six Months Ended June 30, 2001
Net sales from external customers:				
Snap-on Dealer Group	$ 274.6	$ 261.3	$ 530.6	$ 517.7
Commercial and Industrial Group	272.6	264.3	526.6	535.3
Total net sales	$ 547.2	$ 525.6	$ 1,057.2	$ 1,053.0
Intersegment sales:				
Snap-on Dealer Group	$ .1	$ -	$ .2	$ -
Commercial and Industrial Group	90.4	99.7	172.6	192.6
Total intersegment sales	90.5	99.7	172.8	192.6
Elimination of intersegment sales	(90.5)	(99.7)	(172.8)	(192.6)
Total consolidated intersegment sales	$ -	$ -	$ -	$ -

(Amounts in millions)	Three Months Ended June 29, 2002	Three Months Ended June 30, 2001	Six Months Ended June 29, 2002	Six Months Ended June 30, 2001
Earnings:				
Snap-on Dealer Group	$ 27.5	$ 25.9	$ 57.5	$ 53.8
Commercial and Industrial Group	21.1	7.5	28.9	20.8
Segment operating earnings	48.6	33.4	86.4	74.6
Net finance income	8.8	7.9	16.1	20.0
Restructuring and other non-recurring charges	(1.4)	(14.4)	(4.8)	(14.4)
Interest expense	(7.5)	(9.2)	(15.3)	(18.1)
Other income (expense) - net	(2.9)	(1.6)	(3.0)	.3
Total pre-tax earnings from operations	$ 45.6	$ 16.1	$ 79.4	$ 62.4

As of

(Amounts in millions)	June 29, 2002	December 29, 2001
Assets:		
Snap-on Dealer Group	$ 801.3	$ 823.3
Commercial and Industrial Group	1,209.7	1,120.6
Total from reportable segments	2,011.0	1,943.9
Financial Services	81.4	82.0
Elimination of intersegment receivables	(17.8)	(51.6)
Total assets	$2,074.6	$1,974.3

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

RESULTS OF OPERATIONS

Consolidated

Net sales were $547.2 million in the second quarter of 2002, an increase of 4.1% from the $525.6 million in the comparable prior-year period. For the first six months of 2002, net sales were $1,057.2 million, up slightly compared to $1,053.0 million in 2001. The year-over-year increase in net sales for the second quarter of 2002 reflects strong sales in Snap-on's U.S. dealer business, the success of new products worldwide and a modest gain in international commercial and industrial operations, which offset the sluggish demand that persists in many North American industrial sectors. Currency translation had a negligible impact on 2002 second-quarter consolidated sales. The increase in year-over-year net sales for the first six months of 2002 reflects strong sales in the U.S. dealer business that were offset by continued soft demand for equipment and a decline in sales of tools in the commercial and industrial sector. Currency translation had a negative impact of 1% on 2002 year-to-date consolidated sales.

Net earnings for the second quarter of 2002 were $29.2 million or $.50 per diluted share, as compared with $8.9 million or $.15 per diluted share in 2001. The increase in year-over-year net earnings includes the impact of higher sales and improved margins, benefits from the elimination of goodwill and certain other intangible amortization related to the fiscal-year 2002 adoption of Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets," lower interest expense and higher net finance income. Benefits from Snap-on's focus on Operational Fitness activities, including benefits realized from its 2001 restructuring initiatives, were partially offset by higher expenses associated with the company's "More Feet on the Street" dealer expansion initiative, higher net pension costs and increased spending for new products. Operational Fitness is Snap-on's focused initiative towards improving the performance of its current business portfolio by continually evaluating processes and practices to reduce waste and enhance operations. In addition, 2001 second-quarter results were adversely impacted by the inclusion of $20.5 million ($14.4 million after tax or $0.25 per diluted share) for restructuring and other non-comparable costs (including management transition costs and costs related to the termination of a European equipment supplier arrangement).

Snap-on ceased amortizing goodwill and certain other intangibles at the beginning of its 2002 fiscal year as prescribed by SFAS No. 142. Had this standard been in effect for the second quarter of 2001, net earnings would have been $12.1 million, or $.21 per diluted share. Snap-on has completed the transitional goodwill and intangibles impairment evaluations required by SFAS No. 142, the results of which indicated that the carrying values of goodwill and other intangibles are not impaired. For more information on SFAS No. 142, refer to Note 2 to the interim Consolidated Financial Statements.

In the 2002 second quarter, Snap-on incurred restructuring and other non-recurring charges of $1.4 million ($.8 million after tax or $.01 per share) for employee and equipment relocation costs and professional fees associated with its previously announced 2001 restructuring activities. In the second quarter of 2001 Snap-on incurred charges of $20.5 million, including restructuring and other non-recurring charges of $14.4 million ($9.0 million after tax or $.16 per share) for various exit-related costs, asset impairment write-downs and management transition costs. Snap-on also incurred non-comparable costs of $6.1

million (including $1.5 million in cost of goods sold and $4.6 million in operating expenses) in the second quarter of 2001, primarily related to the termination of a European equipment supplier arrangement.

Net earnings, before cumulative effect of a change in accounting principle, were $50.9 million or $.87 per diluted share for the first six months of 2002, as compared with $38.3 million or $.66 per diluted share in 2001. The increase in earnings reflects modest sales growth, lower interest expense and benefits from Operational Fitness activities, as well as benefits from the elimination of goodwill and certain other intangible amortization under SFAS No. 142, offset by lower net finance income, increased dealer expansion costs, higher net pension costs and increased new product spending. In addition, 2001 results were adversely impacted by the inclusion of $20.5 million ($14.4 million after tax or $0.25 per diluted share) for restructuring and other non-comparable costs (including management transition costs and costs related to the termination of a European equipment supplier arrangement).

Snap-on ceased amortizing goodwill and certain other intangibles at the beginning of its 2002 fiscal year as prescribed by SFAS No. 142. Had this standard been in effect for the first six months of 2001, net earnings, before cumulative effect item, would have been $44.6 million, or $.77 per diluted share.

Net earnings for the first six months of 2002 were $53.7 million or $.92 per diluted share in 2002, as compared with $35.8 million or $.61 per diluted share in 2001. Snap-on recorded a cumulative effect of a change in accounting principle transition adjustment that increased net earnings in the first quarter of 2002 by $2.8 million, or $.05 per diluted share, on both a pretax and after-tax basis, from the recognition of negative goodwill as required by SFAS No. 142. In the first quarter of 2001, Snap-on recorded a cumulative effect of a change in accounting principle transition adjustment that decreased net earnings by $2.5 million after tax, or $.05 per diluted share, related to a hedge strategy that did not qualify for hedge accounting under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." Snap-on adopted SFAS No. 133 at the beginning of its 2001 fiscal year. For more information on SFAS No. 133, refer to Note 4.

Gross profit for the second quarter of 2002 was $251.4 million, up 5.1% from $239.3 million in the prior-year period. As a percentage of sales, gross profit margin in the second quarter of 2002 increased to 45.9%, as compared to 45.5% in the comparable prior-year period. Gross profit for the first six months of 2002 was $487.1 million, up .8% from $483.0 million in the prior-year period. As a percentage of sales, gross profit margin in the first six months of 2002 increased to 46.1%, as compared to 45.9% in the comparable prior-year period. The increase in gross profit for both the second quarter and first six months of 2002 reflects benefits from Operational Fitness and restructuring activities, including cost controls and continuous improvements in manufacturing operations. In addition, non-comparable charges of $1.5 million related to the termination of a European supplier arrangement in 2001 adversely impacted prior-year margins.

Operating expenses for the second quarter of 2002 were $202.8 million, or 37.1% of sales, as compared to $205.9 million, or 39.2%, in the comparable prior-year period. The year-over-year improvement of $3.1 million in operating expenses includes $3.8 million from the elimination of goodwill and certain other intangible amortization under SFAS No. 142, the elimination of $4.6 million in non-comparable costs incurred in 2001 related to the termination of a European supplier arrangement, savings in 2002 from the fiscal 2001 restructuring actions, reduced discretionary spending and other cost-cutting initiatives. These decreases were partially offset by increased costs associated with Snap-on's "More Feet on the Street" dealer expansion initiative, higher net pension costs, increased spending for new product development and higher bad debt provisions. The improvement in operating expenses as a percentage of net sales reflects the positive leverage of higher sales on lower operating expenses. Operating expenses for the first six months of 2002 were $400.7 million, or 37.9% of sales, as compared to $408.4 million, or 38.8% of sales, in the comparable prior-year period. The $7.7 million improvement in year-over-year operating expenses includes $7.5 million from the elimination of goodwill and certain other intangible amortization, the elimination of non-comparable charges of $4.6 million incurred in 2001 related to the termination of a European supplier agreement, savings in 2002 from the fiscal 2001 restructuring actions, reduced discretionary spending and other cost-cutting initiatives. These decreases to operating expenses were partially offset by an increase in expenses associated with Snap-on's dealer expansion initiative, higher net pension costs, increased spending for new product development and higher bad debt provisions, including $2.6 million for the first quarter 2002 write-down of a receivable related to the closure of auto service centers associated with a major retailer's bankruptcy.

Segment Results

Snap-on Dealer Group

In the worldwide Snap-on Dealer Group segment, net sales for the second quarter of 2002 were $274.6 million, up 5.1% from the $261.3 million reported in the comparable prior-year period. For the first six months of 2002, net sales were $530.6 million, up 2.5% from $517.7 million in 2001. The increase in net sales reflects strong sales in the U.S. dealer operations with continued strength in tools and tool storage, the successful launch of new products, including new hand-held diagnostics equipment, and the increased service and marketplace coverage being achieved as a result of Snap-on's "More Feet on the Street" dealer expansion initiative. Additionally, sales in the tech rep sales organization were up year over year compared with depressed sales in the prior year. Big-ticket sales through this channel had experienced significant declines in the previous four quarters. In the second quarter of 2002, a net increase of 55 dealers was achieved in the U.S. dealer business, primarily through the use of second vans and second franchises, bringing the 2002 year-to-date total net increase to 116 dealers. The success of this initiative is continuing to lead to improved customer service and marketplace penetration, as well as higher sales. The strong U.S. dealer sales are being partially offset by a decline in non-U.S. dealer operations. For both the second quarter and first six months of 2002, stronger sales in the UK and Australia contributed towards offsetting weakness experienced in Canada. Sales in Japan were also up in the second quarter as compared to the comparable prior-year period, however year-to-date sales were flat with prior year.

Segment earnings for the second quarter of 2002 increased 6.2% to $27.5 million from $25.9 million in the second quarter of 2001, primarily reflecting the higher sales volume. Segment earnings as a percentage of net sales improved slightly to 10.0% from 9.9% in the prior year. On a year-to-date basis, segment earnings increased 6.9% to $57.5 million from $53.8 million in the comparable prior-year period, reflecting both higher sales volume and a better operating margin. Segment earnings as a percentage of net sales improved to 10.8% from 10.4%. Operating margins continue to be slightly compressed due to the influence of having non-U.S. dealer operations supplied by U.S. manufacturing facilities and by Snap-on's focus on improving working capital management, particularly increasing inventory turns. In addition, higher costs related to the "More Feet on the Street" program and higher net pension expense were partially offset by productivity savings and tight control on discretionary spending.

Commercial and Industrial Group

In the Commercial and Industrial Group segment, net sales for the second quarter increased to $272.6 million, or 3.1%, over the prior-year period of $264.3 million. The increase primarily reflects sales increases in facilitation operations, information products, European equipment, and international industrial tool markets, as well as a 1% benefit from favorable currency translations. These increases were partially offset by the continued soft demand in North America for industrial tools and big-ticket diagnostics and equipment. For the first six months of 2002, net sales decreased 1.6% to $526.6 million from the prior-year period of $535.3 million. The decrease in net sales primarily reflects the weak demand for big-ticket capital goods equipment and industrial tools and a negative 1% impact from unfavorable currency transition. Sales of equipment worldwide and professional tools in the European and U.S. industrial and commercial marketplace declined, reflecting the continued softness in many industry sectors, such as automotive, electronics and aerospace. Partially offsetting the decline was growth in the facilitation business and the diagnostics and information business, primarily reflecting the continued growth in information-based products.

Segment earnings for the second quarter of 2002 were $21.1 million, a significant increase from $7.5 million a year ago. The operating margin improved to 7.7% from 2.8% a year ago, reflecting benefits from restructuring and Operational Fitness activities, the cessation of $3.5 million in goodwill and other intangible amortization, and the absence of $5.9 million in non-comparable charges incurred in 2001 primarily related to the termination of a European equipment supplier arrangement. Segment earnings for the first six months of 2002 were $28.9 million compared to $20.8 million a year ago. The operating margin improved to 5.5% from 3.9% a year ago, reflecting benefits from restructuring and Operational Fitness activities, the cessation of $6.9 million in goodwill and other intangible amortization, and the absence of $5.9 million in non-comparable charges incurred in 2001. These items were partially offset by a $2.6 million non-cash charge in the first quarter of 2002 for the write-down of a receivable related to the closure of auto service centers associated with a major retailer's bankruptcy, the unfavorable operating leverage related to lower sales and inventory reduction initiatives, the effect of having manufacturing operations based in strong currency countries, and continued investment spending on new product research and development activities.

Restructuring and Non-Recurring Charges

Snap-on announced in the second quarter of 2001 that it was taking significant action to (i) reduce costs companywide to adjust to the slower sales environment and (ii) improve operational performance in businesses not earning acceptable financial returns. As a result of selective rationalization and consolidation actions, Snap-on recorded $62.0 million in pretax restructuring and other non-recurring charges in 2001 for actions that include the consolidation or closure of 35 facilities, asset write-downs and severance costs to effect a 6% reduction in workforce. The $62.0 million charge includes restructuring charges of $40.3 million and non-recurring charges of $21.7 million. The restructuring charge of $40.3 million includes $27.1 million for severance costs associated with the planned elimination of 796 salaried and hourly positions, $6.0 million for non-cancelable lease agreements, $5.9 million for facility asset write-downs, and $1.3 million for exit-related legal and professional services. The $21.7 million of other non-recurring charges includes $12.6 million for restructuring-related inventory write-downs and

additional inventory write-downs and warranty costs associated with Snap-on's exiting of an unprofitable segment of the emissions-testing business, $8.4 million for management transition costs associated with the appointment of Dale F. Elliott as successor to the Chief Executive Officer position, and $.7 million for equipment and employee relocation costs associated with the facility consolidations.

Snap-on expects to incur an estimated $7 million to $8 million in restructuring-related costs in 2002 for the completion of its 2001 restructuring and other activities. These costs do not qualify for restructuring accrual treatment and are expensed as incurred.

In the second quarter of 2002, Snap-on incurred $1.4 million in restructuring-related charges for employee and equipment relocation costs and professional fees. For the first six months of 2002, Snap-on incurred restructuring and non-recurring charges of $4.8 million, including $3.0 million related to the 2002 resignation of Snap-on's former Chief Financial Officer and $1.8 million for employee and equipment relocation costs.

The composition of Snap-on's restructuring charge activity for the second quarter ended June 29, 2002, was as follows:

(Amounts in millions)	Restructuring Reserve As of March 30, 2002	Usage	Restructuring Reserve as of June 29, 2002
Severance costs	$13.7	$ (4.2)	$ 9.5
Facility consolidation or closure costs	1.7	(.7)	1.0
Total restructuring reserves	$15.4	$ (4.9)	$10.5

The restructuring reserve usage for the second quarter ended June 29, 2002, of $4.9 million represents $4.2 million for severance payments related to the separation of 91 employees and $.7 million for facility consolidation or closure costs. The restructuring reserve usage for the six months ended June 29, 2002, of $12.6 million represents $11.6 million for severance payments related to the separation of 267 employees and $1.0 million for facility consolidation or closure costs. Of the $40.3 million of restructuring reserves established in 2001, $29.8 million has been used to date, consisting of $17.6 million for severance payments related to the separation of 539 of the 796 identified employees, $6.3 million for facility consolidation or closure costs related to 22 of the 35 facilities identified, and $5.9 million for asset write-downs. Snap-on has funded and expects to fund the remaining cash requirements of its 2001 restructuring activities with cash flows from operations and borrowings under the company's existing credit facilities. The specific restructuring measures and estimated costs were based on management's best business judgment under prevailing circumstances. Snap-on believes that the restructuring reserve balance of $10.5 million as of June 29, 2002, is adequate to complete all announced activities and anticipates that all actions will be completed by the end of 2002.

Other

Net finance income was $8.8 million in the second quarter of 2002, up $.9 million from $7.9 million in the comparable prior-year period. Higher originations from growth in the U.S. dealer business contributed to the increase. For the first six months of 2002, net finance income was $16.1 million, compared to $20.0 million in 2001. Although credit originations for the first six months of 2002 have increased year over year, prior-year results benefited from a highly favorable interest-rate environment.

Interest expense for the second quarter of 2002 was $7.5 million, a decrease of $1.7 million from the prior-year period. For the first six months of 2002, interest expense of $15.3 was down $2.8 million from $18.1 million in the prior year. The reduction in interest expense in both the second quarter and year-to-date periods is due to continued debt reduction funded by cash flow from operating activities and lower interest rates relative to the comparable periods in the prior year.

Other income (expense) - net was an expense of $2.9 million for the second quarter of 2002 as compared to an expense of $1.6 million in the comparable 2001 period. For the first six months of 2002, other income (expense) - net was an expense of $3.0 million, as compared to income of $.3 million. This line item includes the impact of all non-operating items such as interest income, license fees, adjustment for minority interests, disposal of fixed assets, hedging and exchange rate transaction gains and losses, and other miscellaneous non-operating items.

Snap-on's effective income tax rate, before cumulative effect, restructuring, non-recurring and other non-comparable items, was 36.2% in the second quarter and 35.9% in the first six months of 2002 and 36.3% in the second quarter and 36.4% in the first six months of 2001. Including these charges, Snap-on's overall effective tax rate, before cumulative effect of accounting change was 36.0% for both the second quarter and first six months of 2002 and was 44.7% in the second quarter of 2001 and 38.6% for the first six months of 2001.

FINANCIAL CONDITION

Cash and cash equivalents were $6.2 million at the end of the second quarter, down $.5 million from $6.7 million at year-end 2001. Despite a $44.0 million payment ($39.0 million net of tax benefit) in the first quarter of 2002 for the December 2001 resolution of an arbitration matter, net cash provided by operating activities increased to $62.4 million in the first six months of 2002, compared with $26.3 million in the prior year, primarily due to better management of working capital elements (particularly inventories and trade payables). Working capital was $609.6 million at the end of the second quarter of 2002, an increase of $19.6 million from $590.0 million at year-end 2001, and a decrease of $88.1 million from $697.7 million in the second quarter of 2001.

The total-debt-to-total-capital ratio at the end of the second quarter of 2002 was 34.6%, as compared to 38.0% at year-end 2001 and 39.8% in the prior-year period reflecting lower debt levels and increases in shareholder equity. Total short-term and long-term debt was $450.1 million at the end of the second quarter of 2002, as compared to $474.6 million at year end 2001 and $546.5 million at the end of the second quarter of 2001. Total debt levels decreased $24.5 million from year end and $96.4 million from the second quarter of 2001, reflecting the strengthened cash flow. Total capital was $1,300.6 million, up $50.2 million from year-end 2001 and down $71.6 million from $1,372.2 million in the prior-year period.

At June 29, 2002, Snap-on had $458 million of multi-currency revolving credit facilities to support its commercial paper programs. In August 2001, Snap-on issued $200 million of unsecured notes pursuant to a $300 million shelf registration statement filed with the Securities and Exchange Commission in 1994. In October 1995, Snap-on issued $100 million of unsecured notes to the public under this shelf registration statement. The August 2001 notes require semiannual interest payments at the rate of 6.25% and mature in their entirety on August 15, 2011. The October 1995 notes require semiannual interest payments at a rate of 6.625% and mature in their entirety on October 1, 2005. The proceeds from these issuances were used to repay a portion of Snap-on's outstanding commercial paper and for working capital and general corporate purposes. For additional information, see Note 8 entitled "Short-term and Long-term Debt" on pages 35 and 36 of Snap-on's 2001 Annual Report.

Accounts receivable-net at the end of the second quarter were $636.4 million, up $21.2 million from year-end 2001 levels and up $14.9 million from the prior year, largely due to the increased sales volume and a slight increase in days outstanding in certain international markets.

Inventories at the end of the second quarter of 2002 were $414.5 million, down $25.7 million from $440.2 million at the end of second quarter 2001, but up from 2001 year end. Inventories have increased $39.3 million from year-end 2001 levels due to typical seasonal buildups and the impact of the weaker U.S. dollar at quarter end. Inventory turns increased 4.4% in 2002 compared to 2001 (based on a 12-month rolling average). The initiative to double inventory turns by 2005 remains on target, and progress is expected to continue throughout 2002.

Capital expenditures were $26.3 million in the first six months of 2002, compared with $23.6 million in the comparable prior-year period. Investments primarily included ongoing replacements and upgrades of manufacturing and distribution facilities and equipment, restructuring-related and new product-related capital investments. For the full-year, Snap-on anticipates 2002 capital expenditures will be in the range of $50 million to $55 million. Full-year capital expenditures were $53.6 million in 2001.

Snap-on believes that its sources of borrowings, coupled with cash from operations, are sufficient to support at anticipated levels its working capital requirements, finance capital expenditures and restructuring activities, fund acquisitions, repurchase common stock and pay dividends.

Snap-on has undertaken stock repurchases from time to time to prevent dilution created by shares issued for employee and dealer stock purchase plans, stock options, and other corporate purposes, as well as to repurchase shares when market conditions are favorable. During the first six months of 2002, Snap-on repurchased 200,000 shares of common stock for $6.4 million under its previously announced share repurchase programs. As of the end of the second quarter of 2002, Snap-on has remaining availability to repurchase up to an additional $139 million in common stock pursuant to the board's authorizations. The purchase of Snap-on common stock is at the company's discretion, subject to prevailing financial and market conditions.

Outlook: Snap-on expects that the prudent course near term is to maintain a cautious view on recovery. Based on this cautious sales outlook and the typical sequential seasonal sales decline, Snap-on expects to earn in the range of $0.45 to $0.50 per share in third-quarter net earnings. This includes the expected negative impact associated with the approximately $1 to $2 million in remaining costs for the completion of previously announced restructuring initiatives. For the balance of the year, Snap-on believes it remains on track to achieve its targeted $40 million in savings from its restructuring and cost control activities and expects that approximately one-half of these savings will be reinvested to support increased development of innovative new products and other initiatives for profitable growth.

CRITICAL ACCOUNTING POLICIES

The consolidated financial statements and related notes contain information that is pertinent to management's discussion and analysis. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

In December 2001, the Securities and Exchange Commission issued Financial Reporting Release No. 60 ("FRR 60"), "Cautionary Advice Regarding Disclosure About Critical Accounting Policies," suggesting that companies provide additional disclosure and commentary on those accounting policies considered most critical in their Management's Discussion and Analysis of Financial Condition and Results of Operations. The FRR 60 considers an accounting policy to be critical if it is important to the company's financial condition and results of operations and requires significant judgment and estimates on the part of management in its application.

Snap-on believes that the following represent the critical accounting policies of the company:

Allowance for Doubtful Accounts: Snap-on's accounts receivable are reported net of bad debt reserves. Snap-on's bad debt reserve estimates are regularly evaluated by management for adequacy and are established through charges to operating expenses. The evaluations take into consideration various financial and qualitative factors that may affect the customers' ability to pay. These factors may include the customers' financial condition, collateral, debt-servicing capacity, past payment experience and credit bureau information. Snap-on regularly reviews the estimation process and adjusts the reserves as appropriate. It is possible, however, that the accuracy of Snap-on's estimation process could be adversely impacted if the financial condition of its customers were to deteriorate.

Inventory Reserves: Snap-on's inventories, which are reported net of inventory reserves, consist of manufactured products and merchandise for resale and are stated at the lower of cost or market. Manufactured products include the costs of materials, labor and manufacturing overhead. Inventories accounted for using the first-in, first-out (FIFO) method approximated 65% and 63% of total inventory as of year-end 2001 and 2000. All other inventories are generally determined using the last-in, first-out (LIFO) cost method. Snap-on values its inventory at the lower of cost or market, and regularly reviews

the book value of discontinued product lines and stock keeping units (SKUs) to determine if these items are properly valued. If market value is less than cost, the company establishes inventory reserves to write down the related inventory to the lower of market or net realizable value. Snap-on regularly evaluates the composition of its inventory to determine slow-moving and obsolete inventories to determine if additional reserves are required. Changes in consumer purchasing patterns, however, could result in the need for additional reserves.

Pension and Other Postretirement Benefits: Snap-on has significant pension and postretirement benefit liabilities and costs that are developed from actuarial valuations. Inherent in these valuations are key assumptions including discount rates, expected return on plan assets and medical trend rates. Changes in these assumptions are primarily influenced by factors outside of Snap-on's control and can have a significant effect on the amounts reported in the financial statements. Snap-on reviews its actuarial valuations annually and believes that it may experience an increase in pension expense for 2003 due to lower than expected returns on invested plan assets.

Commitments and Contingencies: Snap-on is subject to lawsuits and other claims related to product and other matters that are being defended and handled in the ordinary course of business. Snap-on maintains reserves for such costs that may be incurred, which are determined on a case-by-case basis, taking into consideration the likelihood of adverse judgments or outcomes, as well as the potential range of probable loss. The reserves are monitored on an ongoing basis and are updated for new developments or new information as appropriate.

Valuation of long-lived assets: Snap-on periodically evaluates its long-lived assets for potential impairment. If impairment exists, an impairment loss is recognized and the carrying amount of the asset is adjusted to its new accounting basis. Judgments regarding the existence of impairment are based on legal factors, market conditions and operational performance. Future events could cause Snap-on to conclude that impairment exists. Snap-on uses the undiscounted cash flow method to determine if potential impairment exists. If impairment is determined to exist, its extent is measured using future discounted cash flows. This requires management to make estimates and assumptions regarding future income, working capital and discount rates, which affect the impairment calculation.

Safe Harbor: Statements in this document that are not historical facts, including statements (i) that include the words "expects," "targets," "believes," or "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, objectives or goals, are forward-looking statements. Snap-on or its representatives may also make similar forward-looking statements from time to time orally or in writing. Snap-on cautions the reader that these statements are subject to risks, uncertainties or other factors that could cause (and in some cases have caused) actual results to differ materially from those described in any such statement. Those important factors include the validity of the assumptions set forth above and the timing and progress with which Snap-on can continue to achieve further cost reductions and achieve savings from its restructuring initiatives; Snap-on's ability to retain and attract dealers and implement new programs; the success of new products, and Snap-on's ability to withstand external negative factors including terrorist disruptions on business; consequences of the change in public accounting firms or a change in regulatory reporting requirements; changes in trade, monetary and fiscal policies, laws and

regulations, or other activities of governments or their agencies; and the absence of significant changes in the current competitive environment, inflation, energy supply or pricing, legal proceedings, supplier disruptions, currency fluctuations or the material worsening of economic and political situations around the world.

These factors may not constitute all factors that could cause actual results to differ materially from those discussed in any forward-looking statement. Snap-on operates in a continually changing business environment and new factors emerge from time to time. Snap-on cannot predict such factors nor can it assess the impact, if any, of such factors on Snap-on's financial position or its results of operations. Accordingly, forward-looking statements should not be relied upon as a prediction of actual results. Snap-on disclaims any responsibility to update any forward-looking statement provided in this 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 manages 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. 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 to protect the residual net anticipated exposures. For additional information, refer to Note 4.

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, refer to Note 4.

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

The estimated maximum potential one-day loss in fair value, calculated using the VAR model, at June 29, 2002, was $1.6 million on interest rate-sensitive financial instruments and $1.7 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 a loan, each customer is evaluated, taking into consideration the borrower's financial condition, collateral, debt-servicing capacity, past payment experience, credit bureau information and numerous 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 credit risk exposure from its on-balance-sheet receivables, Snap-on also has credit risk exposure for certain loan originations with recourse provisions from Snap-on Credit LLC ("the LLC"), a 50%-owned joint venture with CIT Group, Inc. At June 29, 2002, $39.5 million of loans originated by the LLC have a recourse provision to Snap-on if the receivables become more than 90 days past due. In addition, there were $25.6 million of dealers' customer-originated loans that have a primary recourse provision directly to the dealer, with secondary recourse to Snap-on in the event of dealer default.

ECONOMIC RISK: Economic risk is the possibility of loss resulting from economic instability in certain areas of the world. Economic instability from time to time may cause Snap-on to react to such market conditions. The economic uncertainty in Argentina prompted Snap-on to resize its operations there in 2001, shifting a portion of its manufacturing to other existing Snap-on facilities. The Bahco Argentina facility will continue to operate with about one-half of its previous workforce for the foreseeable future, manufacturing product at a level to support its local market. Snap-on 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.

PART II. OTHER INFORMATION

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

Snap-on held its Annual Meeting of Shareholders on April 25, 2002. The shareholders elected three members of Snap-on's Board of Directors, whose terms were up for reelection, to serve until the Annual Meeting in the year 2005. There were 63,827,036 outstanding shares eligible to vote. The persons elected to the Corporation's Board of Directors, the number of votes cast for and the number of votes withheld with respect to each of these persons are set forth below:

Director	For	Withheld	Term
Dale F. Elliott	56,699,596	584,778	2005
Lars Nyberg	56,657,847	626,527	2005
Richard F. Teerlink	56,479,273	805,101	2005

The terms of office for the following directors continue until the Annual Meeting in the year set forth below:

Director	Term
Leonard A. Hadley	2004
Frank S. Ptak	2004
Edward H. Rensi	2004
Bruce S. Chelberg	2003
Arthur L. Kelly	2003
Roxanne J. Decyk	2003
Jack D. Michaels	2003

Item 5. Other Information.

Snap-on operates on a fiscal, as opposed to a calendar, year and, as a result, its second quarter Form 10-Q was due on August 13, 2002. Therefore, the certification required to be filed with the SEC pursuant to Order 4-460 is not due until November 12, 2002. For additional information on the certification required by Order 4-460, please visit the SEC's website at www.sec.gov.

PART II. OTHER INFORMATION (continued)

Item 6. Exhibits and Reports on Form 8-K.

Item 6(a): Exhibits.

10(a) Form of Share and Performance Award Agreement and Form of Deferred Share and Performance Award Agreement between the Corporation and each of Dale F. Elliott, Michael F. Montemurro, Nicholas T. Pinchuk, Susan F. Marrinan and Blaine A. Metzger dated April 1, 2002.

10(b) Letter Agreement between the Corporation and Nicholas T. Pinchuk dated June 4, 2002.

(12) Computation of Ratio of Earnings to Fixed Charges

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

During the second quarter of 2002, Snap-on reported on Form 8-K the following:

Date Filed	Date of Report	Item
June 21, 2002	June 21, 2002	Item 4. Change in Registrant's Certifying Accountant

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: August 13, 2002   /s/ Blaine A. Metzger

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

Exhibit 10(a)

SNAP-ON INCORPORATED

SHARE AND PERFORMANCE Award AGREEMENT

THIS AGREEMENT ("Agreement") is made and entered into as of April 1, 2002 by and between SNAP-ON INCORPORATED, a Delaware corporation (the "Company"), and _________, an employee of the Company or of a subsidiary of the Company (the "Key Employee").

W I T N E S S E T H :

WHEREAS, the Organization and Executive Compensation Committee of the Board of Directors of the Company (such committee, whether acting as such or through the ad hoc committee of the Board to which such committee delegated its authority in connection with this Agreement, the "Committee"), by actions of the Committee on January 25, 2002 and March 12, 2002, approved the grant (the "Grant") to the Key Employee of _______ (the "Grant Number") shares of the Company's common stock ("Common Stock") and the opportunity to receive cash in respect of performance units ("Performance Units") pursuant to the Company's 2001 Incentive Stock and Awards Plan (the "Awards Plan"), to be effective April 1, 2002;

WHEREAS, in accordance with the terms of the Grant, the Key Employee elected to not defer receipt of the percentage, if any, set forth on the signature page hereto of the Grant Number (the "Share Delivery Percentage") and the percentage, if any, set forth on the signature page hereto of the cash that may be received in respect of the Performance Units subject to the Grant (the "Cash Delivery Percentage") by executing an Election to Defer Compensation (the "Deferral Election") or by choosing not to execute a Deferral Election; and

WHEREAS, the Grant contemplated that the Grant will also be subject to the terms of an award agreement, the form of which is to be determined by the Company, and this Agreement is intended to serve as the additional agreement that the Grant contemplated.

NOW, THEREFORE, in consideration of the premises and of the covenants and agreements herein set forth, the parties hereby mutually covenant and agree as follows:

1. Restricted Shares. Subject to the terms and conditions set forth herein, as of April 1, 2002, the Company hereby awards to the Key Employee a number of shares of Common Stock (the "Restricted Shares") equal to the product of the Grant Number multiplied by the Share Delivery Percentage which shall be subject to vesting and forfeiture as set forth below. Except as otherwise provided herein, no Restricted Share may be sold, transferred or otherwise alienated or hypothecated until such Restricted Share vests as provided herein.

2. Escrow.

   (a) The Company shall cause certificates for Restricted Shares to be issued as soon as practicable in the name of the Key Employee, but the Company, as escrow agent, shall hold such shares in escrow. Upon issuance of such certificates, (i) the

Company shall give the Key Employee a receipt for the Restricted Shares held in escrow which will state that the Company holds such Restricted Shares in escrow for the account of the Key Employee, subject to the terms of this Agreement, and (ii) the Key Employee shall give the Company a stock power for such Restricted Shares duly endorsed in blank which will be held in escrow for use in the event such Restricted Shares are forfeited in whole or in part.

   (b) Unless theretofore forfeited as provided herein, Restricted Shares and any other property held in escrow pursuant to this Agreement shall cease to be held in escrow, and the Company shall release such certificates for such Restricted Shares, and any related property held in escrow (without interest), to the Key Employee, or in the case of his death, to his Beneficiary (as hereinafter defined) when such Restricted Shares vest as provided herein at which time such shares shall be freely transferable by the Key Employee or his Beneficiary.

(c) Restricted Shares and any other property held in escrow pursuant to this Agreement shall cease to be held in escrow, and the Company may assume possession thereof in its own right, when the Key Employee forfeits such Restricted Shares as provided herein.

3. Vesting and Forfeiture Based on Performance. Subject to the terms and conditions set forth herein,

(a) Vesting of the Restricted Shares and payment in respect of Performance Units is dependent upon performance relative to revenue growth and RONAEBIT goals during fiscal 2002 and fiscal 2003. The threshold, target and maximum goals for revenue growth and RONAEBIT during fiscal 2002 and fiscal 2003 are as shown on Exhibit 1, and the Restricted Shares will vest, and the Performance Units will be earned, in accordance with the vesting matrix attached hereto as Exhibit 1 based on actual performance of the Company relative to the goals subject to the terms attached hereto as Exhibit 2. As soon as practicable after the Company's audited financial statements for fiscal 2002 and fiscal 2003 are available to the Committee, the Committee shall calculate the Company's revenue growth and RONAEBIT data for such years in accordance with the terms attached hereto as Exhibit 2. The Committee shall then plot the revenue growth and RONAEBIT data on the vesting matrix. The resulting position on the matrix shall determine the percentage of the Restricted Shares that will vest and the number of Performance Units that the Key Employee will earn as set forth below. In the course of calculating the Company's revenue growth and RONAEBIT data and plotting the revenue growth and RONAEBIT data on the vesting matrix, the Committee shall have the discretion to take action in light of the effects of Special Charges (as defined on Exhibit 1) that reduces the resulting percentage in such manner and to such extent as the Committee determines in its sole discretion. However, the Committee shall have no discretion to take into account the effects of Special Charges in a manner that increases the resulting percentage. The Company shall promptly communicate this information to the Key Employee.

(b) Unless the Key Employee has previously forfeited such Restricted Shares, if the position on the matrix reflects a percentage greater than zero and less than or equal to 100%, then the number of Restricted Shares that shall vest shall be equal to the product of such percentage, the Grant Number and the Share Delivery Percentage, and if the position on the matrix reflects a percentage greater than 100%, then the number of Restricted Shares that shall vest shall be equal to the product of the Grant Number and the Share Delivery Percentage. Upon the Committee's determination as provided above, the Key Employee will forfeit the Restricted Shares that do not vest.

(c) Unless the Key Employee has previously forfeited the right to earn Performance Units, if the position on the matrix reflects a percentage greater than 100%, then the Key Employee will receive cash in respect of a number of Performance Units equal to the product of the percentage in excess of 100%, but not greater than 50%, multiplied by the Grant Number and multiplied by the Cash Delivery Percentage. The amount of the cash payment for each Performance Unit will be the fair market value of a share of the Company's common stock on March 12, 2002.

4. Forfeiture Based on Employment Status. Subject to the terms and conditions set forth herein,

(a) In addition to any rights of the Company under Section 5, the Key Employee will forfeit any Restricted Shares or any rights associated with Performance Units as to which the Committee has not made its vesting determination under Section 3 and not otherwise vested under Section 6 if the Key Employee's employment with the Company or its subsidiaries is terminated for any reason prior to such determination unless in the case of termination by the Company or a subsidiary the Committee determines, on such terms and conditions, if any, as the Committee may impose, that there may nonetheless be vesting of all or a portion of the award at the time of such determination or at any other time. Absence of the Key Employee on leave approved by a duly elected officer of the Company, other than the Key Employee, shall not be considered a termination of employment during the period of such leave.

(b) Notwithstanding the foregoing, in the case of termination of employment as a result of death, Disability (as defined below) or Retirement (as defined below), the Share Delivery Percentage of the Grant will vest, and the Key Employee's entitlement to cash in respect of Performance Units will be determined, based upon the Company's actual performance relative to the revenue growth and RONAEBIT goals over the full performance period, but in lieu of the amounts under Section 3(b) and (c), the respective amounts, if any, determined under those subsections shall be reduced by multiplying such amounts by a fraction representing the portion of the two-year period that elapsed before the termination of the Key Employee's employment.

(c) Whether or not a divestiture of a subsidiary, division or other business unit (including through the formation of a joint venture) results in termination of employment with the Company and its subsidiaries will be at the discretion of the Committee, which discretion the Committee may exercise on a case by case basis.

(d) As used herein,

(i) "Disability" means a medically-determinable physical or mental condition that is expected to be permanent and that results in the Key Employee being unable to perform one or more of the essential duties of the Key Employee's occupation or a reasonable alternative offered by the Company or its subsidiaries, all as determined by the Committee or any successor to such committee that administers the Awards Plan (as the same may be amended).

(ii) "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 Key Employee as in effect at the time of such termination.

5. Detrimental Activity.

(a) Activity During Employment. If, prior to termination of the Key Employee's employment with the Company or during the one-year period following termination of the Key Employee's employment with the Company, the Company becomes aware that, prior to termination, the Key Employee had engaged in detrimental activity, then the Committee in its sole discretion, for purposes of this Agreement, may characterize or recharacterize termination of the Key Employee's employment as a termination to which this Section 5 applies and may determine or redetermine the date of such termination, and the Key Employee's rights with respect to the Grant shall be determined in accordance with the Committee's determination.

(b) Activity Following Termination. If, within the three-month period following the Key Employee's termination of employment with the Company, the Company becomes aware that the Key Employee has engaged in detrimental activity subsequent to termination, then the Key Employee's rights with respect to the Grant shall be determined in accordance with any determination by the Committee under this Section 5.

(c) Remedies. If the Key Employee has engaged in detrimental activity as described in subsections (a) and (b), then the Committee may, in its discretion, declare that the Key Employee has forfeited the Grant in whole or in part and cause the Company to assume possession of any or all property held in escrow in respect of the Grant in its own right and/or cause the Key Employee to return any cash or property actually realized by the Key Employee (directly or indirectly) in respect

of the Grant, in each case whether or not the Committee has made a vesting determination under Section 3 in respect thereof before or after the date the Key Employee engaged in the detrimental activity or before or after the date of termination as determined or redetermined under subsection (a).

(d) Allegations of Activity. If an allegation of detrimental activity by the Key Employee is made to the Committee, then the Committee may suspend the Key Employee's rights in respect of the Grant to permit the investigation of such allegation.

(e) Definition of "Detrimental Activity." For purposes of this Agreement, "detrimental activity" means activity that is determined by the Committee 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 Key Employee (i) divulges trade secrets of the Company, proprietary data or other confidential information relating to the Company or to the business of the Company or any subsidiaries, (ii) enters into employment with a competitor under circumstances suggesting that the Key Employee will be using unique or special knowledge gained as an employee of the Company to compete with the Company, (iii) uses information obtained during the course of his prior employment with the Company for his own purposes, such as for the solicitation of business and 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.

6. Change in Control. In the event of a "Change of Control" (as defined in the Awards Plan) prior to the Committee's determination under Section 3(a),

(a) Any unvested Restricted Shares shall be treated as provided in the Awards Plan, unless the Key Employee has previously forfeited such Restricted Shares; and

(b) Notwithstanding their treatment under the terms of the Awards Plan, the Company will immediately make payment in respect of the number of Performance Units multiplied by the Cash Delivery Percentage assuming performance at maximum levels for the entire period.

7. Voting Rights; Dividends and Other Distributions.

(a) While the Restricted Shares are subject to restrictions under Section 1 and prior to any forfeiture thereof, the Key Employee may exercise full voting rights for the Restricted Shares registered in his name and held in escrow hereunder.

(b) A Key Employee shall have no voting rights with respect to the Performance Units.

(c) While the Restricted Shares are subject to the restrictions under Section 1 and prior to any forfeiture thereof, all dividends and other distributions paid with

respect to the Restricted Shares shall be held in escrow pursuant to Section 2 and shall be subject to the same restrictions as the Restricted Shares with respect to which they were paid.

(d) There shall be no dividend right associated with the Performance

Units.

(e) Subject to the provisions of this Agreement, the Key Employee shall have, with respect to the Restricted Shares, all other rights of holders of Common Stock.

8. Tax Withholding; Repurchase.

(a) It shall be a condition of the obligation of the Company to issue or release from escrow Restricted Shares to the Key Employee or the Beneficiary, and the Key Employee agrees, that the Key Employee shall pay to the Company, upon its demand, such amount as may be requested by the Company for the purpose of satisfying its liability to withhold federal, state, or local income or other taxes incurred by reason of the award or as a result of the vesting hereunder or shall provide evidence satisfactory to the Company that the Company has no liability to withhold. The Company may withhold from cash payable in respect of Performance Units such amount as may be determined by the Company for the purpose of satisfying its liability to withhold federal, state, or local income or other taxes incurred by reason of such payment.

(b) At each time the Company is obligated to issue or release from escrow Restricted Shares to the Key Employee or the Beneficiary, the Key Employee or the Beneficiary, as the case may be, may elect to have the Company repurchase up to 40% of the Restricted Shares to be so issued or released at a price equal to the Fair Market Value (as defined below) on the Tax Date (as defined below). The election must be delivered to the Company within 30 days after the Tax Date. If the number of shares so determined shall include a fractional share, then the Company shall not be obligated to repurchase such fractional share. All elections shall be made in a form acceptable to the Company. As used herein, (i) "Tax Date" means the date on which the Key Employee must include in his gross income tax purposes the fair market value of the Restricted Shares and (ii) "Fair Market Value" means the per share closing price on the date in question in the principal market in which the Common Stock is then traded or, if no sales of Common Stock have taken place on such date, the closing price on the most recent date on which selling prices were quoted.

9. Beneficiary.

(a) The person whose name appears on the signature page hereof after the caption "Beneficiary" or any successor that the Key Employee designates in accordance herewith (the person who is the Key Employee's Beneficiary at the time of his death herein referred to as the "Beneficiary") shall be entitled to receive the Restricted Shares that vest and the Performance Units that are earned following the death of the Key Employee. The Key Employee may from time to time

revoke or change his Beneficiary without the consent of any prior Beneficiary by filing a new designation with the Committee. The last such designation that the Committee receives shall be controlling; provided, however, that no designation, or change or revocation thereof, shall be effective unless received by the Committee prior to the Key Employee's death, and in no event shall any designation be effective as of a date prior to such receipt.

(b) If no such Beneficiary designation is in effect at the time of the Key Employee's death, or if no designated Beneficiary survives the Key Employee or if such designation conflicts with law, then the Key Employee's estate shall be entitled to receive the Restricted Shares that vest and the Performance Units that are earned following the death of the Key Employee. If the Committee is in doubt as to the right of any person to receive such Restricted Shares and/or Performance Units, then the Company may retain such Restricted Shares and the cash payment associated with the Performance Units, without liability for any interest thereon, until the Committee determines the person entitled thereto, or the Company may deliver such Restricted Shares and the cash payment associated with the

Performance Units to any court of appropriate jurisdiction, and such delivery shall be a complete discharge of the liability of the Company therefor.

10. Adjustments in Event of Change in Stock. In the event of any reclassification, subdivision or combination of shares of Common Stock, merger or consolidation of the Company or sale by the Company of all or a portion of its assets, or other event which could, in the judgment of the Committee, distort the implementation of the Grant or the realization of its objectives, the Committee may make such adjustments in the Grant Number and the number of Restricted Shares under this Agreement, or in the terms, conditions or restrictions of this Agreement, as the Committee deems equitable; provided that in the absence of express action by the Committee, adjustments that apply generally to Restricted Shares granted under the Awards Plan shall apply automatically to the Restricted Shares under this Agreement.

11. Powers of the Company Not Affected. The existence of the Grant shall not affect in any way the right or power of the Company or its stockholders to make or authorize any combination, subdivision or reclassification of the Common Stock or any reorganization, merger, consolidation, business combination, exchange of shares, or other change in the Company's capital structure or its business, or any issue of bonds, debentures or stock having rights or preferences equal, superior or affecting the Common Stock or the rights thereof, or dissolution or liquidation of the Company, or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding, whether of a similar character or otherwise. Nothing in this Agreement shall confer upon the Key Employee any right to continue in the employment of the Company or interfere with or limit in any way the right of the Company to terminate the Key Employee's employment at any time.

12. Certificate Legend. Each certificate for Restricted Shares shall bear the following legend:

> The sale or other transfer of the shares of stock represented by this certificate, whether voluntary, or by operation of law, is subject to certain restrictions set forth in the Restricted Stock Award Agreement between Snap-on Incorporated and the registered owner hereof. A copy of such Agreement may be obtained from the Secretary of Snap-on Incorporated.

When the restrictions imposed by Section 1 terminate, the Key Employee shall be entitled to have the foregoing legend removed from the certificates representing such Restricted Shares.

13. Interpretation by Committee. The Key Employee agrees that any dispute or disagreement that may arise in connection with this Agreement shall be resolved by the Committee, in its sole discretion, and that any interpretation by the Committee of the terms of this Agreement or the Awards Plan and any determination made by the Committee under this Agreement or such plan may be made in the sole discretion of the Committee and shall be final, binding, and conclusive.

14. Miscellaneous.

(a) This Agreement shall be governed and construed in accordance with the laws of the State of Wisconsin applicable to contracts made and to be performed therein between residents thereof.

(b) This Agreement may not be amended or modified except by the written consent of the parties hereto.

(c) The captions of this Agreement are inserted for convenience of reference only and shall not be taken into account in construing this Agreement.

(d) Any notice, filing or delivery hereunder or with respect to the Grant shall be given to the Key Employee at either his usual work location or his home address as indicated in the records of the Company, and shall be given to the Committee or the Company at 10801 Corporate Drive, Kenosha, Wisconsin 53142, Attention: Secretary. All such notices shall be given by first class mail, postage pre-paid, or by personal delivery.

(e) This Agreement shall be binding upon and inure to the benefit of the Company and its successors and assigns and shall be binding upon and inure to the benefit of the Key Employee, the Beneficiary and the personal representative(s) and heirs of the Key Employee, except that the Key Employee may not transfer any interest in any Restricted Shares prior to the release of the restrictions imposed by Section 1.

IN WITNESS WHEREOF, the Company has caused this instrument to be executed by its duly authorized officer, and the Key Employee has hereunto affixed his hand, all on the day and year set forth above.

SNAP-ON INCORPORATED

By:

Title:

Key Employee:

Beneficiary:

Address of Beneficiary:

Beneficiary Tax Identification

No.

Share Delivery Percentage: ___________

Cash Delivery Percentage: ____________

Exhibit 2

1. "RONAEBIT" for purposes of the vesting matrix means a fraction expressed as a percentage where (i) the numerator is earnings from continuing operations before income taxes (including net finance income) plus interest expense less other income (expense) - net (i.e., less other income plus other expense) plus Special Charges (as defined below) and (ii) the denominator is average net assets employed. "Net assets employed" means total assets minus cash and cash equivalents and minus all liabilities excluding short-term and long-term debt. "Average net assets employed" for a period means the average of net assets employed at the end of the immediately preceding fiscal period and at the end of each fiscal month during the period as reflected in the Company's final consolidated balance sheet for the month that is prepared as part of the financial statements used in the preparation of the Company's externally reported financial statements.

2. RONAEBIT for purposes of the vesting matrix will be calculated based upon the amount described in (a)(i) for the period consisting of fiscal 2002

and fiscal 2003 and average net assets employed for the same period.

3. Revenue growth for purposes of the vesting matrix will be calculated by comparing the Company's consolidated net sales for fiscal 2003 with the net sales amounts set forth on the matrix.

4. The amount of each component of a calculation will be determined by reference to the Company's audited financial statements for the year(s) in question or the notes thereto to the extent reflected therein and, if not reflected therein, by reference to the Company's unaudited financial statements or the notes thereto contained in the Company's periodic reports filed with the Securities and Exchange Commission to the extent reflected therein and, if not reflected therein, by reference to the Company's publicly disclosed earnings release for the relevant period and, if not reflected therein, by reference to the Company's final consolidated balance sheet for the month that is prepared as part of the financial statements used in the preparation of the Company's externally reported financial statements.

5. There is graduated, proportionate vesting between points on the matrix.

6. Except to the extent that considering any such charge would cause an award to fail to qualify for the performance-based exception under Section 162(m) of the Internal Revenue Code and except to the extent that the committee of the Board that the Board has established to assist in the administration of the Awards Plan (the "Ad Hoc Committee") in its sole discretion determines that a charge or other expense that would otherwise qualify as a Special Charge shall not be considered a Special Charge, "Special Charges" consist of restructuring reserve charges, non-recurring charges and non-comparable charges. Restructuring reserve charges include those costs that can be accrued in accordance with GAAP at the time a restructuring plan is adopted. Non-recurring charges consist of restructuring related charges such as the write-off of inventory or transition costs that are incurred as a result of a restructuring plan and will benefit future operations, as well as non-restructuring related charges that are considered

non-recurring in nature. Non-comparable charges consist of costs that do not qualify for restructuring reserve or non-recurring charge treatment but are considered one-time, unusual charges and are reflected as such in the Company's publicly disclosed earnings release for the relevant period. To the extent terms used above have meanings under U.S. GAAP, such meanings shall control.

7. Except to the extent that doing so would cause an award to fail to qualify for the performance-based exception under Section 162(m) of the Internal Revenue Code, the threshold, target and maximum goals for revenue growth and RONAEBIT will be adjusted upward or downward as appropriate to eliminate the effects of acquisitions and divestitures subject to the following.

   (a) There will be adjustments only where there is an acquisition or divestiture (or a combination of multiple acquisitions or divestitures) of a subsidiary, division or other business unit that had revenues during its last full fiscal year equal to 1% or more of the Company's budgeted consolidated net sales during the year the acquisition or divestiture occurs as reflected in the Company's overall final budget as of the commencement of the year as presented to the Company's Board of Directors at its January meeting (the "Final Budget").

   (b) Adjustments to Revenue Goals. If an acquisition occurs in 2002, then the Ad Hoc Committee will adjust the net sales amounts set forth on the vesting matrix upward by an amount that is at least equal to the projected revenue for the acquired business in 2003 as reflected in the financial projections for the acquired business used as the basis for approval of the Company's acquisition purchase price decision by the Company's Board of Directors or the highest authority within the Company approving that decision (the "Pricing Projections"). If an acquisition occurs in 2003, then the Ad Hoc Committee will adjust the net sales amounts set forth on the vesting matrix upward by an amount that is at least equal to the projected revenue for the acquired business in 2003, as reflected in the Pricing Projections for the acquired business, multiplied by a fraction representing the portion of fiscal 2003 occurring after the acquisition. If a divestiture occurs in 2002, then the Ad Hoc Committee will adjust the net sales amounts set forth on the vesting matrix downward by an amount that is no greater than the budgeted revenue for the divested business in 2003 as reflected in the Final Budget as of the commencement of fiscal 2002. If a divestiture occurs in 2003, then the Ad Hoc Committee will adjust the net sales amounts set forth on the vesting matrix downward on a pro rata basis by an amount that is no greater than the budgeted revenue for the divested business in 2003, as reflected in the Final Budget as of the commencement of fiscal 2003, multiplied by a fraction representing the portion of fiscal 2003 occurring after the divestiture.

(c) Adjustments to RONAEBIT Goals. If there is an acquisition or divestiture, then the RONAEBIT percentages on the vesting matrix will be recalculated by dividing the adjusted EBIT by the adjusted net assets (on an annualized basis). The Company's unadjusted EBIT will be estimated as an amount equal to the

product obtained by multiplying the net assets as of the close of fiscal 2001 by the RONAEBIT percentage on the vesting matrix.

For an acquisition, the Company's unadjusted EBIT will be adjusted upward by an amount determined by the Ad Hoc Committee that is at least equal to the projected EBIT for the acquired business for the remaining term of the fiscal 2002 through fiscal 2003 period (the "plan cycle"), as reflected in the Pricing Projections for the acquired business, divided by the total number of years in the plan cycle. For an acquisition, the Company's net assets as of the close of fiscal 2001 will be adjusted upward by an amount determined by the Ad Hoc Committee that is no greater than the projected average net assets of the acquired business for the remaining term of the plan cycle, as reflected in the Pricing Projections for the acquired business, multiplied by the number of months remaining in the plan cycle and divided by the total number of months in the plan cycle.

For a divestiture, the Company's unadjusted EBIT will be adjusted downward by an amount determined by the Ad Hoc Committee that is no greater than the budgeted EBIT for the divested business for the year in which the divestiture occurs as reflected in the Final Budget as of the commencement of such year multiplied by the number of months remaining in the plan cycle divided by the total number of months in the plan cycle. For a divestiture, the Company's net assets as of the close of fiscal 2001 will be adjusted downward by an amount determined by the Ad Hoc Committee that is at least equal to the budgeted net assets for the divested business for the year in which the divestiture occurs as reflected in the Final Budget as of the commencement of such year multiplied by the number of months remaining in the plan cycle divided by the total number of months in the plan cycle.

SNAP-ON INCORPORATED

DEFERRED SHARE AND PERFORMANCE AWARD AGREEMENT

THIS AGREEMENT ("Agreement") is made and entered into as of April 1, 2002 by and between SNAP-ON INCORPORATED, a Delaware corporation (the "Company"), and _________, an employee of the Company or a subsidiary of the Company (the "Key Employee").

W I T N E S S E T H :

WHEREAS, the Organization and Executive Compensation Committee of the

Board of Directors of the Company (such committee, whether acting as such or through the ad hoc committee of the Board to which such committee delegated its authority in connection with this Agreement, the "Committee"), by actions of the Committee on January 25, 2002 and March 12, 2002, approved the grant (the "Grant") to the Key Employee of _____ (the "Grant Number") shares of the Company's common stock ("Common Stock") and the opportunity to receive cash in respect of performance units ("Performance Units") pursuant to the Company's 2001 Incentive Stock and Awards Plan (the "Awards Plan"), to be effective April 1, 2002;

WHEREAS, in accordance with the terms of the Grant, the Key Employee elected to defer receipt of the percentage set forth on the signature page hereto of the Grant Number (the "Share Deferral Percentage") and the percentage set forth on the signature page hereto of the cash that may be received in respect of the Performance Units subject to the Grant (the "Cash Deferral Percentage") by executing an Election to Defer Compensation (the "Deferral Election") prior to the Grant's effective date, which the Company countersigned prior to such date;

WHEREAS, the Deferral Election provides that the Grant will also be subject to the terms of a "Deferred Award Agreement," the form of which is to be determined by the Company, and this Agreement is intended to serve as the additional agreement that the Deferral Election contemplated; and

WHEREAS, the Company has in effect the Snap-on Incorporated Deferred Compensation Plan, as amended (the "Deferral Plan").

NOW, THEREFORE, in consideration of the premises and of the covenants and agreements herein set forth, the parties hereby mutually covenant and agree as follows:

1. Share Units. Subject to the terms and conditions set forth herein,

   (a) As of April 1, 2002, the Company shall establish and maintain bookkeeping accounts for the Key Employee relating to the Grant under the Deferral Plan consisting of a "Cash Account" and a "Share Account."

   (b) As of April 1, 2002, there shall be credited to the Share Account a number of Share Units (as defined in the Deferral Plan) equal to the product of the Grant Number multiplied by the Share Deferral Percentage. From and after the time of

such credit, the Key Employee shall have the rights afforded under the Deferral Plan in respect of Share Units so credited, except that such Share Units shall be subject to vesting and forfeiture as set forth below.

2. Vesting and Forfeiture Based on Performance. Subject to the terms and conditions set forth herein,

   (a) Vesting of the Share Units and payment in respect of Performance Units is dependent upon performance relative to revenue growth and RONAEBIT goals during fiscal 2002 and fiscal 2003. The threshold, target and maximum goals for revenue growth and RONAEBIT during fiscal 2002 and fiscal 2003 are as shown on Exhibit 1, and the Share Units will vest, and the Performance Units will be earned, in accordance with the vesting matrix attached hereto as Exhibit 1 based on actual performance of the Company relative to the goals subject to the terms attached hereto as Exhibit 2. As soon as practicable after the Company's audited financial statements for fiscal 2002 and fiscal 2003 are available to the Committee, the Committee shall calculate the Company's revenue growth and RONAEBIT data for such years in accordance with the terms attached hereto as Exhibit 2. The Committee shall then plot the revenue growth and RONAEBIT data on the vesting matrix. The resulting position on the matrix shall determine the percentage of the Share Units that will vest and the number of Performance Units that the Key Employee will earn as set forth below. In the course of calculating the Company's revenue growth and RONAEBIT data and plotting the revenue growth and RONAEBIT data on the vesting matrix, the Committee shall have the discretion to take action in light of the effects of Special Charges (as defined on Exhibit 1) that reduces the resulting percentage in such manner and to such extent as the Committee determines in its sole discretion. However, the Committee shall have no discretion to take into account the effects of Special Charges in a manner that increases the resulting percentage. The Company shall promptly communicate this information to the Key Employee.

(b) Unless the Key Employee has previously forfeited such Share Units, if the position on the matrix reflects a percentage greater than zero and less than or equal to 100%, then the number of Share Units that shall vest shall be equal to the product of such percentage, the Grant Number and the Share Deferral Percentage, and if the position on the matrix reflects a percentage greater than 100%, then the number of Share Units that shall vest shall be equal to the product of the Grant Number and the Share Deferral Percentage. Upon the Committee's determination as provided above, the Key Employee will forfeit Share Units in an amount equal to that portion of the product of the Grant Number and the Share Deferral Percentage that does not vest.

(c) Unless the Key Employee has previously forfeited the right to earn Performance Units, if the position on the matrix reflects a percentage greater than 100%, then the Key Employee will receive a credit to the Cash Account, pursuant to Section 6.1(a) of the Deferral Plan, in respect of a number of Performance Units equal to the product of the percentage in excess of 100%, but not greater than 50%,

multiplied by the Grant Number and multiplied by the Cash Deferral Percentage. The amount of the credit to the Cash Account for each Performance Unit will be the fair market value of a share of the Company's common stock on March 12, 2002.

3. Forfeiture Based on Employment Status. Subject to the terms and conditions set forth herein,

(a) In addition to any rights of the Company under Section 9, the Key Employee will forfeit any Share Units or any rights associated with the Performance Units as to which the Committee has not made its vesting determination under Section 2 and not otherwise vested under Section 11 if the Key Employee's employment with the Company or its subsidiaries is terminated for any reason prior to such determination unless in the case of termination by the Company or a subsidiary the Committee determines, on such terms and conditions, if any, as the Committee may impose, that there may nonetheless be vesting of all or a portion of the award at the time of such determination or at any other time. Absence of the Key Employee on leave approved by a duly elected officer of the Company, other than the Key Employee, shall not be considered a termination of employment during the period of such leave.

(b) Notwithstanding the foregoing, in the case of termination of employment as a result of death, Disability (as defined below) or Retirement (as defined below), the Share Deferral Percentage of the Grant will vest, and the Key Employee's entitlement to receive a credit to the Cash Account in respect of Performance Units will be determined, based upon the Company's actual performance relative to the revenue growth and RONAEBIT goals over the full performance period, but in lieu of the amounts under Section 2(b) and (c), the respective amounts, if any, determined under those subsections shall be reduced by multiplying such amounts by a fraction representing the portion of the two-year period that elapsed before the termination of the Key Employee's employment.

(c) Whether or not a divestiture of a subsidiary, division or other business unit (including through the formation of a joint venture) results in termination of employment with the Company and its subsidiaries will be at the discretion of the Committee, which discretion the Committee may exercise on a case by case basis.

(d) As used herein,

(i) "Disability" means a medically-determinable physical or mental condition that is expected to be permanent and that results in the Key Employee being unable to perform one or more of the essential duties of the Key Employee's occupation or a reasonable alternative offered by the Company or its subsidiaries, all as determined by the Committee or any successor to such committee that administers the Awards Plan (as the same may be amended).

(ii) "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 Key Employee as in effect at the time of such termination.

4. Dividends. Dividends on the Common Stock will result in a credit to the Cash Account pursuant to Section 6.4 of the Deferral Plan. However, the Key Employee will forfeit such credit and any related Growth Increments (as defined in the Deferral Plan) upon any forfeiture of the related Share Units.

5. No Conversion. While Section 6.5 of the Deferral Plan would otherwise allow the Key Employee to convert Share Units into a cash amount to be credited to the Cash Account, the Key Employee shall not have any right under Section 6.5 of the Deferral Plan to convert all or a portion of any unvested Share Units into an amount to be credited to the Cash Account. Further, while Section 6.3(a) of the Deferral Plan would otherwise allow the Key Employee to convert all or a portion of any amount credited to the Cash Account into an amount to be credited to the Share Account, the Key Employee shall not have any right under Section 6.3(a) of the Deferral Plan to convert all or a portion of any amount credited to the Cash Account in respect of unvested Share Units into an amount to be credited to the Share Account.

6. Deferral Period. The deferral period with respect to the Grant for purposes of Section 4.2 of the Deferral Plan shall extend until the payment commencement date set forth in the Deferral Election.

7. Manner of Payment. Deferred amounts shall be paid in a lump sum or in installments in accordance with the Deferral Election.

8. Changes in Deferral Period and Manner of Payment. The Key Employee may change the manner in which the deferred amount will be paid and/or delay the date such payments are to commence by written election made in accordance with the Deferral Plan.

9. Detrimental Activity.

(a) Activity During Employment. If, prior to termination of the Key Employee's employment with the Company or during the one-year period following termination of the Key Employee's employment with the Company, the Company becomes aware that, prior to termination, the Key Employee had engaged in detrimental activity, then the Committee in its sole discretion, for purposes of this Agreement, may characterize or recharacterize termination of the Key Employee's employment as a termination to which this Section 9 applies and may determine or redetermine the date of such termination, and the Key Employee's rights with respect to the Grant shall be determined in accordance with the Committee's determination.

(b) Activity Following Termination. If, within the three-month period following the Key Employee's termination of employment with the Company, the Company becomes aware that the Key Employee has engaged in detrimental activity subsequent to termination, then the Key Employee's rights with respect to the Grant shall be determined in accordance with any determination by the Committee under this Section 9.

(c) Remedies. If the Key Employee has engaged in detrimental activity as described in subsections (a) and (b), then the Committee may, in its discretion, cancel any (or all) amounts credited to the Key Employee's Share Account and/or Cash Account in respect of the Grant and/or cause the Key Employee to return any cash or property actually realized by the Key Employee (directly or indirectly) in respect of the Grant, in each case whether or not the Committee has made a vesting determination under Section 2 in respect thereof before or after the date the Key Employee engaged in the detrimental activity or before or after the date of termination as determined or redetermined under subsection (a).

(d) Allegations of Activity. If an allegation of detrimental activity by the Key Employee is made to the Committee, then the Committee may suspend the Key Employee's rights in respect of the Grant to permit the investigation of such allegation.

(e) Definition of "Detrimental Activity." For purposes of this Agreement, "detrimental activity" means activity that is determined by the Committee 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 Key Employee (i) divulges trade secrets of the Company, proprietary data or other confidential information relating to the Company or to the business of the Company or any subsidiaries, (ii) enters into employment with a competitor under circumstances suggesting that the Key Employee will be using unique or special knowledge gained as an employee of the Company to compete with the Company, (iii) uses information obtained during the course of his prior employment with the Company for his own purposes, such as for the solicitation of business and 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.

10. Beneficiary. The person whose name appears on the signature page hereof after the caption "Beneficiary," if any, shall be the beneficiary of the Key Employee designated pursuant to Section 8 of the Deferral Plan.

11. Change in Control. In the event of a "Change of Control" (as defined in the Awards Plan) prior to the Committee's determination under Section 2(a),

(a) Any unvested Share Units shall immediately vest in full, unless the Key Employee has previously forfeited such Share Units; and

(b) Notwithstanding their treatment under the terms of the Awards Plan, the Company will immediately make a credit to the Cash Account in respect of a number of Performance Units multiplied by the Cash Deferral Percentage assuming performance at maximum levels for the entire period unless the Key Employee has previously forfeited the right to earn Performance Units.

In each case, the Key Employee shall be entitled to payments in respect of such amounts in accordance with Section 17.2 of the Deferral Plan.

12. Voting Rights. Until such time, if any, as certificates representing shares of Common Stock are delivered to the Key Employee in accordance with the Deferral Plan, the Key Employee shall have no voting rights in respect of the Share Units.

13. Tax Withholding. The Company and the Key Employee shall have rights with respect to tax withholding as set forth in Section 14 of the Deferral

Plan. Without limitation, the Company shall be entitled to withhold any taxes due and payable in accordance with Section 3121(v) of the Internal Revenue Code from any payments due to the Key Employee.

14. Adjustments in Event of Change in Common Stock. In the event of any reclassification, subdivision or combination of shares of Common Stock, merger or consolidation of the Company or sale by the Company of all or a portion of its assets, or other event which could, in the judgment of the Committee, distort the implementation of the Grant or the realization of its objectives, the Committee may make such adjustments in the Grant Number and the number of Share Units under this Agreement, or in the terms, conditions or restrictions of this Agreement, as the Committee deems equitable; provided that in the absence of express action by the Committee, adjustments that apply generally to Share Units credited under the Deferral Plan shall apply automatically to the number of Share Units under this Agreement.

15. Powers of the Company Not Affected. The existence of the Grant shall not affect in any way the right or power of the Company or its stockholders to make or authorize any combination, subdivision or reclassification of the Common Stock or any reorganization, merger, consolidation, business combination, exchange of shares, or other change in the Company's capital structure or its business, or any issue of bonds, debentures or stock having rights or preferences equal, superior or affecting the Common Stock or the rights thereof, or dissolution or liquidation of the Company, or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding, whether of a similar character or otherwise. Nothing in this Agreement shall confer upon the Key Employee any right to continue in the employment of the Company or interfere with or limit in any way the right of the Company to terminate the Key Employee's employment at any time.

16. Interpretation by Committee. The Key Employee agrees that any dispute or disagreement that may arise in connection with this Agreement shall be resolved by the Committee, in its sole discretion, and that any interpretation by the Committee of the terms of this Agreement, the Awards Plan or the Deferral Plan and any determination made by the

Committee under this Agreement or such plans may be made in the sole discretion of the Committee and shall be final, binding, and conclusive.

17. Miscellaneous.

(a) This Agreement shall be governed and construed in accordance with the laws of the State of Wisconsin applicable to contracts made and to be performed therein between residents thereof.

(b) This Agreement may not be amended or modified except by the written consent of the parties hereto.

(c) The captions of this Agreement are inserted for convenience of reference only and shall not be taken into account in construing this Agreement.

(d) Any notice, filing or delivery hereunder or with respect to the Grant shall be given to the Key Employee at either his usual work location or his home address as indicated in the records of the Company, and shall be given to the Committee or the Company at 10801 Corporate Drive, Kenosha, Wisconsin 53142, Attention: Secretary. All such notices shall be given by first class mail, postage pre-paid, or by personal delivery.

(e) This Agreement shall be binding upon and inure to the benefit of the Company and its successors and assigns and shall be binding upon and inure to the benefit of the Key Employee, his beneficiary and the personal representative(s) and heirs of the Key Employee.

18. Deferral Matters.

(a) The Key Employee understands that (i) as a result of this Agreement, no restricted stock, cash or other property will be deliverable to the Key Employee in respect of the Share Deferral Percentage of the Grant Number or the Cash Deferral Percentage of the cash that may be received in respect of the Performance Units subject to the Grant until the date identified pursuant to Section 6, and (ii) all amounts deferred pursuant to this Agreement shall be reflected in an unfunded account established for the Key Employee by the Company, payment of the Company's obligation will be from general funds, and no special assets (stock, cash or otherwise) have been or will be set aside as security for this obligation.

(b) The Key Employee understands and agrees that the Key Employee's rights to payments hereunder are not subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, or garnishment by the Key Employee's creditors or the creditors of his beneficiaries, whether by operation of law or otherwise, and any attempted sale, transfer, assignment, pledge, or encumbrance with respect to such payment shall be null and void, and shall be without legal effect and shall not be recognized by the Company.

(c) The Key Employee understands and agrees that his right to receive payments hereunder is that of a general, unsecured creditor of the Company, and that this Agreement constitutes a mere promise by the Company to pay such benefits in the future. Further, it is the intention of the parties hereto that the arrangements hereunder be unfunded for tax purposes and for purposes of Title I of ERISA.

(d) The Key Employee acknowledges that there will be no matching credit under Section 5 of the Deferral Plan in respect of compensation deferred under this Agreement.

IN WITNESS WHEREOF, the Company has caused this instrument to be executed by its duly authorized officer, and the Key Employee has hereunto affixed his hand, all on the day and year set forth above.

SNAP-ON INCORPORATED

By:

Title:

Key Employee:

Beneficiary:

Address of Beneficiary:

Beneficiary Tax Identification

No.

Share Deferral Percentage: ___________

Cash Deferral Percentage: ____________

Exhibit 2

1. "RONAEBIT" for purposes of the vesting matrix means a fraction expressed as a percentage where (i) the numerator is earnings from continuing operations before income taxes (including net finance income) plus interest expense less other income (expense) - net (i.e., less other income plus other expense) plus Special Charges (as defined below) and (ii) the denominator is average net assets employed. "Net assets employed" means total assets minus cash and cash equivalents and minus all liabilities excluding short-term and long-term debt. "Average net assets employed" for a period means the average of net assets employed at the end of the immediately preceding fiscal period and at the end of each fiscal month during the period as reflected in the Company's final consolidated balance sheet for the month that is prepared as part of the financial statements used in the preparation of the Company's externally reported financial statements.

2. RONAEBIT for purposes of the vesting matrix will be calculated based upon the amount described in (a)(i) for the period consisting of fiscal 2002 and fiscal 2003 and average net assets employed for the same period.

3. Revenue growth for purposes of the vesting matrix will be calculated by comparing the Company's consolidated net sales for fiscal 2003 with the net sales amounts set forth on the matrix.

4. The amount of each component of a calculation will be determined by reference to the Company's audited financial statements for the year(s) in question or the notes thereto to the extent reflected therein and, if not reflected therein, by reference to the Company's unaudited financial statements or the notes thereto contained in the Company's periodic reports filed with the Securities and Exchange Commission to the extent reflected therein and, if not reflected therein, by reference to the Company's publicly disclosed earnings release for the relevant period and, if not reflected therein, by reference to the Company's final consolidated balance sheet for the month that is prepared as part of the financial statements used in the preparation of the Company's externally reported financial statements.

5. There is graduated, proportionate vesting between points on the matrix.

6. Except to the extent that considering any such charge would cause an award to fail to qualify for the performance-based exception under Section 162(m) of the Internal Revenue Code and except to the extent that the committee of the Board that the Board has established to assist in the administration of the Awards Plan (the "Ad Hoc Committee") in its sole discretion determines that a charge or other expense that would otherwise qualify as a Special Charge shall not be considered a Special Charge, "Special Charges" consist of restructuring reserve charges, non-recurring charges and non-comparable charges. Restructuring reserve charges include those costs that can be accrued in accordance with GAAP at the time a restructuring plan is adopted. Non-recurring charges consist of restructuring related charges such as the write-off of inventory or transition costs that are incurred as a result of a restructuring plan and will benefit future operations, as well as non-restructuring related charges that are considered

non-recurring in nature. Non-comparable charges consist of costs that do not qualify for restructuring reserve or non-recurring charge treatment but are considered one-time, unusual charges and are reflected as such in the Company's publicly disclosed earnings release for the relevant period. To the extent terms used above have meanings under U.S. GAAP, such meanings shall control.

7. Except to the extent that doing so would cause an award to fail to qualify for the performance-based exception under Section 162(m) of the Internal Revenue Code, the threshold, target and maximum goals for revenue growth and RONAEBIT will be adjusted upward or downward as appropriate to eliminate the effects of acquisitions and divestitures subject to the

following.

(a) There will be adjustments only where there is an acquisition or divestiture (or a combination of multiple acquisitions or divestitures) of a subsidiary, division or other business unit that had revenues during its last full fiscal year equal to 1% or more of the Company's budgeted consolidated net sales during the year the acquisition or divestiture occurs as reflected in the Company's overall final budget as of the commencement of the year as presented to the Company's Board of Directors at its January meeting (the "Final Budget").

(b) Adjustments to Revenue Goals. If an acquisition occurs in 2002, then the Ad Hoc Committee will adjust the net sales amounts set forth on the vesting matrix upward by an amount that is at least equal to the projected revenue for the acquired business in 2003 as reflected in the financial projections for the acquired business used as the basis for approval of the Company's acquisition purchase price decision by the Company's Board of Directors or the highest authority within the Company approving that decision (the "Pricing Projections"). If an acquisition occurs in 2003, then the Ad Hoc Committee will adjust the net sales amounts set forth on the vesting matrix upward by an amount that is at least equal to the projected revenue for the acquired business in 2003, as reflected in the Pricing Projections for the acquired business, multiplied by a fraction representing the portion of fiscal 2003 occurring after the acquisition. If a divestiture occurs in 2002, then the Ad Hoc Committee will adjust the net sales amounts set forth on the vesting matrix downward by an amount that is no greater than the budgeted revenue for the divested business in 2003 as reflected in the Final Budget as of the commencement of fiscal 2002. If a divestiture occurs in 2003, then the Ad Hoc Committee will adjust the net sales amounts set forth on the vesting matrix downward on a pro rata basis by an amount that is no greater than the budgeted revenue for the divested business in 2003, as reflected in the Final Budget as of the commencement of fiscal 2003, multiplied by a fraction representing the portion of fiscal 2003 occurring after the divestiture.

(c) Adjustments to RONAEBIT Goals. If there is an acquisition or divestiture, then the RONAEBIT percentages on the vesting matrix will be recalculated by dividing the adjusted EBIT by the adjusted net assets (on an annualized basis). The Company's unadjusted EBIT will be estimated as an amount equal to the

product obtained by multiplying the net assets as of the close of fiscal 2001 by the RONAEBIT percentage on the vesting matrix.

For an acquisition, the Company's unadjusted EBIT will be adjusted upward by an amount determined by the Ad Hoc Committee that is at least equal to the projected EBIT for the acquired business for the remaining term of the fiscal 2002 through fiscal 2003 period (the "plan cycle"), as reflected in the Pricing Projections for the acquired business, divided by the total number of years in the plan cycle. For an acquisition, the Company's net assets as of the close of fiscal 2001 will be adjusted upward by an amount determined by the Ad Hoc Committee that is no greater than the projected average net assets of the acquired business for the remaining term of the plan cycle, as reflected in the Pricing Projections for the acquired business, multiplied by the number of months remaining in the plan cycle and divided by the total number of months in the plan cycle.

For a divestiture, the Company's unadjusted EBIT will be adjusted downward by an amount determined by the Ad Hoc Committee that is no greater than the budgeted EBIT for the divested business for the year in which the divestiture occurs as reflected in the Final Budget as of the commencement of such year multiplied by the number of months remaining in the plan cycle divided by the total number of months in the plan cycle. For a divestiture, the Company's net assets as of the close of fiscal 2001 will be adjusted downward by an amount determined by the Ad Hoc Committee that is at least equal to the budgeted net assets for the divested business for the year in which the divestiture occurs as reflected in the Final Budget as of the commencement of such year multiplied by the number of months remaining in the plan cycle divided by the total number of months in the plan cycle.

EXHIBIT 10(b)

SNAP-ON INCORPORATED

June 4, 2002

Mr. Nicholas T. Pinchuk
8426 Hobnail Road
Manlius, NY 13104

Re: Severance Payments

Dear Nick:

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

1. Severance Benefits.

(a) Upon the occurrence of a "Qualifying Termination," and execution of a Release Agreement (attached hereto as Exhibit A) you shall be entitled to receive the payments and benefits described in clauses (b) and (c) of this Section 1. A "Qualifying Termination" shall mean the termination of your employment with the Company and its subsidiaries (i) by the Company and its subsidiaries without Cause (as defined below). For purposes of this letter, the term "Cause" shall mean that prior to your termination of employment, you shall have (i) engaged in any act of fraud, embezzlement, or theft in connection with your duties as an executive or in the course of employment with the Company or its subsidiaries; (ii) wrongfully disclosed any secret process or confidential information of the Company or its subsidiaries; or (iii) participated without the written consent of the Board of Directors of the Company (the "Board") in the management of any business enterprise which manufacturers or sells any product or service competitive with any product or service of the Company or its subsidiaries (other than the mere ownership of less than five (5) percent of the securities in any enterprise and exercise of any ownership rights related thereto); and in any such case the act shall have been determined by the Board to have been materially harmful to the Company. The determination of whether Cause exists, or whether your employment was constructively terminated because the responsibilities of your job, or the level of your position within the Company is substantially reduced, shall be within the sole discretion of the Company, which discretion shall not be exercised unreasonably.

(b) Unless reduced pursuant to this Section 1 (b) or Section 6 (a) of this Agreement, you (or your estate, as the case may be) shall be entitled to receive Severance Payments in the form of substantially equal monthly installments over a period of 2 years following the Qualifying Termination. The Severance Payments are equal to: the sum of (i) your monthly rate of base salary in effect during the period immediately prior to the Qualifying Termination plus (ii) your annual bonus calculated at your target payout and prorated on a monthly basis for the period immediately preceding the Qualifying Termination. You shall be subject to the restrictive covenants set forth in Section 3 hereof (the "Restrictive Covenants") during the Severance Period. If you violate the Restrictive Covenants during such period, all Severance Payments which have not yet been paid shall be immediately forfeited and any further continuation of benefits (as set forth in Section 1(c) hereof) shall immediately cease. The Severance Payments hereunder shall not be included as compensation for purposes of calculating your retirement benefits from the Company, and the Severance Period shall not count as service for purposes of any benefit plan or arrangement maintained by the Company. In no event shall the Company be obligated to provide Severance Payments after you become employed by a subsequent employer.

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

2. Option Vesting. In the case of a Qualifying Termination, (i) all unvested incentive options will be converted to vested non-qualified options, and will be exercisable for a period of 6 months from the Qualifying Termination, and (ii) all unvested non-qualified options will be converted to vested non-qualified options and will be exercisable for a period of 6 months from the Qualifying Termination.

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

(a) Non-Competition. You shall not, directly or indirectly, engage, whether as an employee, employer, consultant, advisor or director, or as an owner, investor, partner or stockholder (unless your interest is insubstantial), in any business in an area or region in which the Company or any subsidiary or affiliate then conducts business, which business is directly in competition with a business then conducted by the Company or a subsidiary or affiliate. For purposes of this Section 3(a), your interest as a stockholder shall be considered insubstantial if such interest represents beneficial ownership of less than five percent of the outstanding class of stock, and your interest as an owner, investor or partner shall be considered insubstantial if such interest represents ownership of less than five percent of the outstanding equity of the entity.

(b) Non-Solicitation. You shall not, directly or indirectly, whether as employee, employer, consultant, advisor or director, or as an owner, investor, partner, stockholder or otherwise, (i) solicit or induce any client or customer of the Company or a subsidiary or affiliate, or entity with which the Company or a subsidiary or affiliate has a business relationship, to curtail, cancel, not renew or not continue his or her or its business with the Company or any subsidiary or affiliate, (ii) hire any person who is then, or who within 90 days prior to the Qualifying Termination was, an employee of, or a consultant or independent contractor to, the Company or a subsidiary or affiliate or (iii) solicit or induce any person who is an employee of, or a consultant or independent contractor to, the Company or a subsidiary or affiliate to curtail, cancel, not renew or not continue his or her or its employment, consulting or other relationship with the Company or any subsidiary or affiliate.

(c) Confidentiality. Except pursuant to the performance of your duties to the Company during your employment with the Company or with the consent of the Company, you shall not take, disclose, use, sell or otherwise transfer any confidential or proprietary information of the Company or any subsidiary or affiliate, including but not limited to information regarding current and potential customers, clients, counterparts, organization, employees, finances and financial

results, and methods of operation, transactions and investments, so long as such information has not otherwise been disclosed to the public or is not otherwise in the public domain, except as required by law or pursuant to legal process; and you shall return to the Company, promptly following the Qualifying Termination, any information, documents, materials, data, manuals, computer programs or device containing information relating to the Company or any subsidiary or affiliate, and each of their customers, clients and counterparts, which came into your possession or control during your employment.

(d) Cooperation with the Company. You shall cooperate fully with the Company in the defense or prosecution of any claims or actions now in existence or which may be brought in the future against or on behalf of the Company or its subsidiaries or affiliates which relate to events or occurrences that transpired while you were employed by the Company. Your full cooperation in connection with such claims or actions shall include, but not be limited to, being available to meet with counsel to prepare for discovery or trial and to act as a witness on behalf of the Company and its subsidiaries and affiliates at mutually convenient times. The Company shall reimburse you for any reasonable out-of-pocket expenses incurred in connection with your performance of obligations pursuant to this Section 3(d). To the maximum extent permitted by law, you agree that you will notify the Chief Executive Officer of the Company if you are contacted by any government agency relating to a matter involving the Company, by any other person contemplating or maintaining any claim or legal action against the Company or its subsidiaries and affiliates, or by any agent or attorney of such person.

4. Governing Law. The validity, interpretation, construction and

performance of this Agreement shall be governed by the laws of the State of Wisconsin without giving effect to the principles of conflict of laws of such state .

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

6. Entire Agreement; Other Agreements. This Agreement constitutes the entire understanding and agreement of the parties with respect to the matters discussed herein and supersedes all other prior agreements and understandings, written or oral, between the parties with respect to such matters. Except as provided below, nothing in this Agreement shall affect your rights under applicable law, the Restated Senior Officer Agreement between you and the Company, dated as of June 24, 2002, as such agreement may be amended from time to time (the "Senior Officer Agreement") or under any other plan, agreement or arrangement in effect between you and the Company. Notwithstanding the foregoing, (a) any severance compensation to which you become entitled pursuant to Section 2(c) of the Senior Officer Agreement (the "Senior Officer Compensation") shall be reduced (but not below zero) by any Severance Payments previously paid to you pursuant to Section 1(b) of this Agreement, and any Severance Payments to which you become entitled pursuant to Section 1(b) of this Agreement shall be reduced (but not below zero) by any Senior Officer Compensation previously paid to you and (b) from and after the time that benefit continuation commences pursuant to Section 1(c) of this Agreement, such continuation shall supersede any benefit continuation to which you are entitled pursuant to Section 2(d) of the Senior Officer Agreement; provided, however, that the period of the benefit continuation under said Section 1(c) shall be reduced by the period during which any benefit continuation had previously been provided to you under said Section 2(d). Insofar as it relates to the matters described in the immediately preceding sentence, this Agreement shall be deemed to constitute an amendment to the Senior Officer Agreement. In the event you become

entitled to Senior Officer Compensation, any amount paid to you pursuant to Section 1(b) of this Agreement will be treated as Senior Officer Compensation for purposes of the Gross-Up provisions of the Senior Officer Agreement. In the event you become entitled to compensation under the Senior Officer Agreement and this Agreement, the total amount to be paid to you shall not exceed the total amount that you are entitled to receive under the Senior Officer Agreement.

* * *

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

Sincerely,
Snap-on Incorporated

/s/ Dale F. Elliott

By: Dale F. Elliott, Chairman,
President and Chief Executive Officer

Acknowledged and Agreed to:

/s/ Nicholas T. Pinchuk

NAME

Date: /s/ June 25, 2002

Exhibit (12)

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

	Three Months Ended		Six Months Ended	
	June 29, 2002	June 30, 2001	June 29, 2002	June 30, 2001
Net Earnings	$ 29.2	$ 8.9	$ 53.7	$ 35.8
Add (Deduct):				
Income taxes	16.4	7.2	28.5	24.1
Minority interest in earnings of consolidated subsidiaries	.9	.6	1.1	1.0
Cumulative effect	-	-	(2.8)	2.5
Net Earnings as defined	46.5	16.7	80.5	63.4
Fixed Charges:				
Interest on debt	7.5	9.2	15.3	18.1
Interest element of rentals	1.3	1.3	2.6	2.6
Total Fixed Charges	8.8	10.5	17.9	20.7
Total Adjusted Earnings Available for Payment of Fixed Charges	$ 55.3	$ 27.2	$ 98.4	$ 84.1
Ratio of Earnings to Fixed Charges	6.3	2.6	5.5	4.1

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," which consists of interest on debt and the estimated interest portion of rents.