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SNAP-ON INCORPORATED 2003 MIDYEAR REPORT

Overview

On the mark

As outlined in our 2002 annual report, we believe Snap-on is "On the mark" in our efforts to create a more flexible, responsive and profitable company. Our Driven to Deliver™ framework is being embraced throughout the organization and is providing the catalyst for transformation.

On the road

We are "On the road" to creating a culture of performance and continuous improvement. Our emphasis is on operational effectiveness, improving efficiencies and meeting our customers' needs. Lean business principles are being applied throughout the organization. Our objective is to have continuous improvement become our standard practice – a way of life.

On the record

We operate with our customer and shareholder interests in mind in every aspect of our business. Snap-on has a strong record of significant brand equity, innovative products and technologies, close customer relationships and financial strength. At the same time, we recognize there are clear opportunities to improve, and metrics have been established to measure our progress.

FINANCIAL HIGHLIGHTS

(Amounts in millions, except per share data) (Unaudited)	SECOND QUARTER ENDED June 28, 2003	SECOND QUARTER ENDED June 29, 2002	SIX MONTHS ENDED June 28, 2003	SIX MONTHS ENDED June 29, 2002
Net sales	$565.2	$547.2	$1,108.3	$ 1,057.2
Operating earnings	40.7	56.0	83.7	97.7
Net earnings	22.3	29.2	43.7	53.7
Net earnings per share – diluted	$ 0.38	$ 0.50	$ 0.75	$ 0.92
Average shares outstanding – diluted	58.4	58.7	58.3	58.6

(Amounts in millions)	At June 28, 2003	At June 29, 2002
Shareholders' equity	$ 926.9	$ 850.5
Working investment	788.6	801.0
Total debt	336.9	450.1
Total debt to total capital	26.7% †	34.6%
Working investment turns	2.9 times	2.7 times

For additional information, please refer to Snap-on's Web site for the company's Annual Report, Forms 10-K, 10-Q, 8-K and other reports filed with the Securities and Exchange Commission.

† *Meeting or exceeding company target.*

Working investment: *Current accounts receivable – net of allowances plus inventories less accounts payable. Focused on those elements within operating control, working investment is a measurement of a company's effectiveness in using invested money to support current sales levels.*
RONAEBIT *(return on net assets employed before interest and taxes): This is an overall summary measurement for the drivers of profit margin and asset utilization. This metric measures pretax and pre-interest returns on net assets (total assets less all non-interest bearing liabilities). This performance measure is a component of our executive incentive compensation plan.*

To our shareholders

Dale F. Elliott, chairman of the board, president and chief executive officer, discusses Snap-on's performance and accomplishments at midyear 2003.

Q: HOW WOULD YOU CHARACTERIZE SNAP-ON'S PERFORMANCE DURING 2003?

A: I am pleased to report that progress was made during the first half of the year. We are on the right path, making steady gains by doing the right things. However, we are not there yet, and our improvement has not been as rapid as we would like. The *Driven to Deliver* framework provides the map for our journey. Taking the required steps along the way is not without pain, but it is expected to lead to a stronger organization. Snap-on has refocused and is preparing to deliver on its long-term commitment to increased effectiveness and sustained profitable growth. We are driving continuous improvement activities within all of our business units, with a focus on strengthening operating processes and reducing inefficiencies to better meet customer needs. In turn, cash flow remains solid, our balance sheet is sound, and we believe we are making strides to create shareholder value over time.

Q: HOW IS SNAP-ON PERFORMING IN THIS DIFFICULT MARKETPLACE?

A: In spite of the difficult economic environment, results for the second quarter and first half of 2003 were largely on track for the Snap-on Dealer Group and the Diagnostics and Information Group. End-user demand – sales of tools and handheld diagnostics to technicians – remains solid. We continued to face challenges in the Commercial and Industrial Group due to difficult market conditions. However, our strategies are beginning to yield positive results. Evidence can be found in increased cost reductions and successful new product introductions. We believe we are well positioned for an economic recovery, and we will continue to take actions that will place our company on a stronger footing.

Q: HOW DOES SNAP-ON LOOK "ON THE RECORD" IN REGARDS TO ITS SUCCESS?

A: Last year we discussed a number of key metrics that serve as a gauge to help us measure success: new product sales, operating margin, working investment and RONAEBIT (return on net assets employed before interest and taxes). The first metric, new product sales, is an important element to drive sustainable growth for Snap-on. Offering innovative solutions that add value and improve productivity for customers helps fulfill our mission. We are working toward generating 30 percent of our sales from products less than three years old on an ongoing basis. In 2001, 15 percent of sales were generated from new products. In 2002, it was 23 percent. And we believe

Dale F. Elliott
Chairman, President and
Chief Executive Officer

we are on a path to exceed 25 percent for 2003. Cost savings is an important element in improving operating margin. Progress was not evident in our results during the first half of the year, as it was masked by both internal and external factors. We are learning to better adjust spending to varying sales levels, which is essential. We have also made progress in reducing the capital tied up in working investment. Achieving our target is expected to provide $250 million between the beginning of 2001 and the end of 2005. In 2002, we freed up $51.6 million of cash, which when combined with 2001 results, puts us well on the way toward our goal. Working investment at the end of the second quarter was $788.6 million, down from $801.0 million last year at this time, despite the unfavorable impact from currency translations. Achieving this goal is a key priority as we work to free up these funds for more productive use. Our final metric is RONAEBIT, which is an overall summary measurement that links the drivers of profit margin and asset utilization. Our target is 25 percent; Snap-on was at 14.5 percent as of June 28, 2003. This remains an area of opportunity; we still have much work to do.

Q: IS THE ***DRIVEN TO DELIVER*** FRAMEWORK BECOMING EMBEDDED IN THE ORGANIZATION?

A: More than a mantra or rallying cry, the *Driven to Deliver* strategic framework is becoming a part of our DNA. The principles — Quality People, Operational Fitness and Profitable Growth — may have initially seemed abstract, but have now become real. Evidence of its progress is being measured. Productivity is up. Efficiencies are being realized, and Quality People are working diligently, focused on common goals with an insistence on being the best.

QUALITY PEOPLE is the most critical element of the strategic principles. We have been enhancing our abilities and structuring our team to move Snap-on forward. In looking at Snap-on management leadership on a global basis, 20 percent of our top managers are new to Snap-on, and another 40 percent of the leadership team are in significantly different roles. This gives us a good combination of direct experience and fresh ideas.

The principle of **OPERATIONAL FITNESS** is being applied to every aspect of our business, with the objective to produce operational excellence. Our entire organization understands that our businesses and functions must operate at a high level of effectiveness and cost efficiency in both good times and bad. Reducing controllable costs and making process improvements are becoming an everyday part of our job. These elements are at the center of the Snap-on Business Process. Let me stress that we will continue to support ongoing continuous improvement initiatives that proactively address our cost structure. These activities are being driven by bottoms-up analysis aimed at improving our processes and systems, increasing our responsiveness to customer needs, lowering overhead costs and better leveraging our resources.

Relative to **PROFITABLE GROWTH,** we must grow the company while delivering a measurable increase in financial performance. This will be achieved through Snap-on's key revenue drivers — a continuous stream of new products, core growth and highly targeted complementary product and technology acquisitions. Snap-on's commitment to being a leading provider of tools, equipment and information for professional technicians is critical to our success. We are committed to developing solutions that make our customers more productive and more profitable. Increased sales generated by innovations in all areas of our expertise reinforce the company's decision to invest in new products — a positive factor even in a difficult economy.

Q: WHAT HAVE BEEN SOME OF THE MOST DIFFICULT CHALLENGES THIS YEAR?

A: Unfortunately, the challenging economic environment from 2002 persisted into the first half of 2003. Our results reflect the state of the general economy and a severe industrial and capital goods downturn. Operating performance was below plan in the commercial and industrial area, but progress is being made in spite of the expenses related to continuous improvement actions and expected higher year-over-year pension, retirement and insurance costs. These expenses are masking many of the savings realized over the last two years. Despite soft economic conditions, our sales benefited from new products and the value they provide to the customer, enhancing their productivity. We will continue to pursue a disciplined approach: take actions that add value to the customer, strengthen our internal processes and generate strong cash flow.

Q: ARE THE ANNOUNCED PLANT CLOSINGS JUST A RETURN TO PAST RESTRUCTURING?

A: No, they are not. Process improvements are being driven from within our businesses. The operating team for the Snap-on Tools business, after considerable study, determined the need to streamline production around core technologies in our hand tool plants. As a result, the plan is to phase out production at the Kenosha, Wisconsin, and Mt. Carmel, Illinois, plants. These actions will also reduce redundancies and realign a sizeable portion of our capacity, while still maintaining our heritage "Made in America" commitment and quality standards. Our drive to become a more competitive, more performance-oriented and more customer-responsive organization will continue. We are serious about making improvements, and this is the right thing to do.

Q: WHAT ARE SNAP-ON'S PLANS FOR THE SECOND HALF OF 2003?

A: Our priorities have not changed. Our core business remains solid, we are transforming the culture at Snap-on, building a performance-driven company, capitalizing on our strong brands and unique competitive strengths. This requires the continued application of the *Driven to Deliver* principles at all levels. Lean business principles will continue to be implemented throughout the organization; a three-fold increase in Lean activities (compared to 2002) is underway. Cost reduction and streamlined processes are expected to help better utilize working capital and improve our margins, even in a weak market. We will continue to work on improving our working investment turns through inventory reduction and receivables management. We are also enhancing the dealer channel, not only through second franchises and vans, but also through additional training and development. Finally, we will continue to invest in new products. We are ratcheting sales upward toward our 30 percent new product goal. The long-term market trends are favorable, and we believe we are well positioned to take advantage of them. Snap-on is moving forward, and our efforts are ongoing. Further progress will be made to ensure that sustainable value is delivered to our customers and shareholders.

Q: HOW ARE THE OPERATING UNITS PERFORMING?

A: The following pages review the performance of our three reporting segments: the Snap-on Dealer Group, the Commercial and Industrial Group and the Diagnostics and Information Group.

August 7, 2003

Kevin Cirrito and his wife and authorized assistant, Christine, are examples of success in New York State. Kevin started out with one van, and now has a second van operated by Randy York. John Moore also operates a second van, which is part of a second franchise, operated by Wylie Davidson. (From left to right: Kevin Cirrito, Christine Cirrito, Randy York, John Moore, Wylie Davidson.

Snap-on Dealer Group

Sales in the Snap-on Dealer Group were $281.3 million in the second quarter of 2003, up 1.8%, compared with $276.4 million in the second quarter of 2002. The increase includes $6.1 million from favorable currency translation. For the quarter, sales were up in the North American franchised dealer business, and increased roughly in line with the growth in dealer sales to end-users of tools, handheld diagnostics and tool storage. Over the course of the last 12 months, Snap-on's sales growth has been constrained as dealers continued to improve their inventory turns. While this focus will continue, Snap-on believes the unfavorable effect on its sales from this action are largely behind it at the present time. Solid growth was also achieved in international markets. Sales through the "tech rep" sales organization declined year over year, principally reflecting the continued soft demand for big-ticket diagnostics products.

Operating earnings for the Dealer Group were $23.6 million in the second quarter of 2003 compared with $26.9 million a year ago. The decline primarily reflected higher costs for performance enhancement actions, lower manufacturing cost absorption, and higher pension, other retirement and insurance costs, partially offset by benefits from continuous improvement actions.

Numerous changes are underway in our heritage business to better utilize resources and to streamline production around core technologies. Many of these changes are also being made as a result of our moving from a build-to-forecast to a build-to-customer-demand operation. The intent to close the Kenosha, Wisconsin, and Mt. Carmel, Illinois, plants was announced in July due to customer, economic and competitive requirements. Snap-on is continuing to take steps to strengthen processes, better leverage assets and ensure future competitiveness.

Work processes in the supply chain were integrated to increase speed and reliability to the customer, and progress was made in improving production scheduling, operations planning and purchasing. We now have personnel responsible for continuous improvement at each of our plants and distribution centers to find ways to improve flexibility and customer responsiveness.

The **RAD PAK** meets the needs of the younger technician who is interested in an affordable product in the latest vibrant colors

The Snap-on® brand represents the best in the industry, and in conjunction with our dealers, we have built solid customer relationships. Growth is driven by the increasing number of vehicles in prime repair age, the greater complexity of vehicles and a growing number of new technicians.

Growing the Dealer Group, our Irresistible Force, is an important factor in Snap-on's future overall success. Significant opportunities exist through increased market coverage and greater dealer productivity. We are enhancing Snap-on's competitive position in the marketplace, while at the same time, helping our dealers grow their businesses. Despite our long success in this channel, we are currently reaching only about 80% of those technicians who want to be served by Snap-on. Our "More Feet on the Street" dealer growth and enhancement initiative was designed to help our dealers reach those potential customers. New dealer training sessions help ensure that we have people well trained in the products they sell and in running their own businesses. By increasing their business knowledge, dealers are better equipped to manage their businesses, including adding second and third vans and second franchises.

Snap-on is also supporting dealers with innovative products. Technicians have a need for wider drawers to accommodate longer tools, and Snap-on recently introduced tool storage units that feature 50-inch full-width drawers — something no other mobile tool distributor currently offers. In addition, extensive market research indicated that offering colors in entry-level tool storage units would have strong appeal among younger customers and help build their awareness of the *Snap-on* brand and value. Thus, the "RAD PAK" line of tool storage units was introduced, featuring five exciting new colors: Lime Green, Ultra-Yellow, Gloss Black, Orange and Royal Blue.

Another product much in demand is the *Snap-on* TECHWRENCH™ electronic torque instrument designed for professional technicians and industrial applications. The *TECHWRENCH* was a silver Award winner at the iF Design Exhibition in Hanover, Germany, in March.

District Sales Manager Jeff Upchurch launches his first quarterly meeting with **Technical Automotive Group (TAG) representatives** in Crystal Lake, Illinois. Equipment Sales Specialists are trained in demonstration and presentation techniques, competitive information and hands-on use of equipment.

Commercial and Industrial Group

In the Commercial and Industrial Group, sales were $282.3 million in the second quarter of 2003, up 5.5%, compared with $267.6 million in the second quarter of 2002. This increase includes $22.3 million due to favorable currency translation. Sales to government entities, including federal, state and local municipalities, were down year over year. Weak economic conditions continued to impact the sale of capital goods equipment to vehicle repair shops in North America, and industrial tools in such sectors as aerospace and aviation, general manufacturing and non-residential construction. These declines were partially offset by higher European equipment sales and growth in the company's facilitation business for new vehicle dealerships.

Additionally, strategic action taken to enhance future profitability, involving a change in distribution in the North American equipment business, led to a short-term disruption in sales. The Technical Automotive Group (TAG), a new sales organization focused on the marketing of equipment in North America, was created to supplement Snap-on's existing equipment distribution network. TAG sells and distributes branded equipment including John Bean® wheel service, Blackhawk® collision repair and White Industries air conditioning and fluid management equipment. This action enhances Snap-on's alignment of resources to provide better sales coverage, training and service to its customers. As of the end of the second quarter, gross profit margins and sales leads were up significantly, and Snap-on expects improved equipment sales and profitability trends toward the latter part of 2003 as a result of this action.

Operating earnings for the Commercial and Industrial Group were $0.8 million in the second quarter of 2003 compared with $12.4 million in the prior year. Savings from prior restructuring activities and Operational Fitness actions were more than offset by the combined margin impact of lower volume and an unfavorable product sales mix, as well as the impact associated with the changes to Snap-on's North American equipment marketing organization, higher manufacturing and inventory-related costs, and higher expenses associated with pension, other retirement and insurance costs.

1. The **John Bean® Visualiner $3D_3$® Arago™ alignment system** takes wheel alignment equipment to the next generation. The *Arago* system advances “error-free” alignment technology with the use of three self-synchronizing digital cameras and automatic height indexing.

2. The **ACESA® Automax 1 self-aligning level,** with orthogonal (crossed) laser beams, permits vertical, horizontal and lateral alignments at the same time up to 30 meters.

3. The **Bahco® Ergo® hacksaw’s** handle is made of high-friction material, giving the user a steady grip while dampening vibrations.

Within the Commercial and Industrial Group, Snap-on offers a broad array of tools and equipment that are sold through direct and distributor channels. This group operates in a large and fragmented market, estimated at more than $100 billion. Significant opportunities exist, as demand grows for products with an emphasis on workplace efficiency and ergonomics in developed countries and emerging economies.

Unfortunately, cyclical and economic factors have depressed these markets. Manufacturing factory utilization and production have declined sharply over the past three years, which has reduced demand for hand and power tools. As production returns, we believe we are well positioned to capture those opportunities due to new products that have been developed. Although these markets are depressed near-term, ongoing changes are being made in the Commercial and Industrial Group to improve customer service, reduce costs and increase profitability.

One way to achieve profitable growth is through the sale of innovative new products. This year, two unique products for industrial applications, the *Bahco Ergo* hacksaw 325 and the *Bahco Ergo* screwdriver, received the Japanese Good Design Award for outstanding design and ergonomics. The prize is awarded not only for design, but also for the integration of functionality, quality and safety. In addition, to strengthen its position as the world leader for hacksaw blades, Bahco has introduced the next generation of Sandflex® bi-metal hand hacksaw blades with vastly improved cutting performance and durability. Bahco has also begun to introduce three new types of chisels: one for heavy-duty carpentry, one for fine carpentry, and one for general-purpose activities.

Something new in the collision repair equipment area is the updated *Blackhawk* Shark® Millennium electronic frame measuring system. At the same time, we introduced an upgraded *Shark* 2 unit; both of these products have been introduced in Europe as well as North America.

The **MicroVAT™ tester** uses new impedance/electric current technology to accurately detect the source of electrical system failure in automotive batteries, alternators and starters and offers handheld convenience. The *MicroVAT* tester is available in nine different languages, including Japanese, as shown here.

Diagnostics and Information Group

Sales in the Diagnostics and Information Group were $75.9 million in the second quarter of 2003, down 14.9%, including $2.3 million of favorable currency translation, compared with $89.2 million a year ago. The decline is principally due to intersegment sales, with increased sales of handheld diagnostics products and steady sales in Europe more than offset by a decline in big-ticket diagnostics in North America, primarily in products sold through the Dealer Group's "tech rep" organization. In addition, the Diagnostics and Information Group transferred production of certain European equipment products to the Commercial and Industrial Group, which reduced intersegment sales for these products.

Operating earnings for the Diagnostics and Information Group were $5.1 million in the second quarter of 2003 compared with $7.9 million in the prior year. The earnings for the segment primarily reflect the impact of lower volume, partially offset by benefits from prior restructuring initiatives.

The Diagnostics and Information Group produces products that are sold by the Dealer Group and through direct channels. Products include repair information, recycling, electrical test products, and handheld diagnostics that have a unique combination of instrumentation with information. Increasing complexities and advanced technologies such as drive-by-wire, Controller Area Networks (CAN), and hybrid vehicles have triggered the need for sophisticated new products and information to service vehicles.

Customers around the world face similar challenges in properly diagnosing and repairing vehicles. Snap-on Diagnostics teams have coordinated efforts to take advantage of global engineering resources and produce products on a platform basis that can be marketed to various customers. For Europe, engineering groups in Amsterdam and San Jose worked together to build a comprehensive Scanner™ database. The *Scanner* product now covers more than 30 vehicle makes in nine languages, essential for European markets.

The all new **Mitchell1® OnDemand5 transmission software** provides the knowledge needed to make diagnosis and service go smoothly, and more profitably than ever before. The repair software's powerful search capability, with added Engine Performance Wiring Diagrams, helps diagnose today's complex transmissions.

The number of vehicles on the road worldwide is substantial and growing. The *MicroVAT* tester was the first diagnostics tool built as a platform with global marketplace benefits in mind. Its ease of use in identifying and troubleshooting electrical system and battery failures made it popular in the United States, and now those same features are delighting customers in Japan. In addition, the Color Graphing *Scanner* diagnostic tool was recently launched in Japan and is being well received. The Asian language Scanner software was developed through a collaborative effort of teams in the United States, Europe and Asia.

Last year, the MODIS™ handheld modular diagnostic tool was introduced, offering power and speed in diagnosing today's sophisticated vehicles. This year, the *MODIS* tool is no longer just a single platform; it's a complete system. Snap-on has leveraged the *MODIS* platform to include a full range of integrated products including the Fast-Track® Component Test Meter (Vantage® capability), Flexible Gas Analyzer, Mobile Technician's Cart and European Vehicle Communication Software. We have released two new *MODIS* and five new *Scanner* software titles this year as well. This is solid evidence of our commitment to the expansion of our diagnostic capabilities in order to achieve long-term revenue building through offering related hardware and software products.

During the first half of 2003, Snap-on completed the integration of the vehicle scan tool operations of Nexiq Technologies, including those associated with industry-leading, heavy-duty truck, diesel and off-road vehicle diagnostics and telematics products and services. Through this transaction, Snap-on acquired intellectual property ownership and expertise in products such as the Pro-Link® Plus scan tool and Web-based remote vehicle monitoring and diagnostics application. These offerings are an important addition to our product portfolio, and have been integrated into our diagnostics business.

Consolidated Statements of Earnings

(Amounts in millions, except per share data) *(Unaudited)*	THREE MONTHS ENDED June 28, 2003	THREE MONTHS ENDED June 29, 2002	SIX MONTHS ENDED June 28, 2003	SIX MONTHS ENDED June 29, 2002
Net sales	$ 565.2	$ 547.2	$ 1,108.3	1,057.2
Cost of goods sold	(319.1)	(295.8)	(616.8)	(570.1)
Gross profit	246.1	$ 251.4	491.5	487.1
Operating expenses	(216.6)	(204.2)	(429.5)	(405.5)
Net finance income	11.2	8.8	21.7	16.1
Operating earnings	40.7	$ 56.0	83.7	97.7
Interest expense	(6.0)	(7.5)	(12.4)	(15.3)
Other income (expense) - net	(0.4)	(2.9)	(4.1)	(3.0)
Earnings before income taxes	34.3	45.6	67.2	79.4
Income tax expense	(12.0)	(16.4)	(23.5)	(28.5)
Earnings before cumulative effect	$ 22.3	$ 29.2	$ 43.7	50.9
Cumulative effect of a change in accounting principle, net of tax	–	–	–	2.8
Net earnings	$ 22.3	$ 29.2	$ 43.7	$ 53.7
Earnings per share – basic and diluted:				
Earnings before cumulative effect	$ 0.38	$ 0.50	$ 0.75	$ 0.87
Cumulative effect of a change in accounting principle, net of tax	–	–	–	$ 0.05
Net earnings	$ 0.38	$ 0.50	$ 0.75	$ 0.92
Weighted-average common shares outstanding:				
Basic	58.2	58.2	58.2	58.1
Effect of dilutive options	0.2	0.5	0.1	0.5
Diluted	58.4	58.7	58.3	58.6

Condensed Consolidated Balance Sheets

(Amounts in millions)	June 28, 2003	December 28, 2002
Assets	(unaudited)	
Cash and cash equivalents	$ 22.8	$ 18.4
Accounts receivable - net of allowances	580.1	556.2
Inventories	385.1	369.9
Prepaid expenses and other assets	127.9	106.5
Total current assets	1,115.9	1,051.0
Property and equipment - net	335.0	330.2
Other long-term assets	654.9	612.9
Total assets	$ 2,105.8	$ 1,994.1
LIABILITIES AND SHAREHOLDERS' EQUITY		
Accounts payable	176.6	$ 170.9
Notes payable and current maturities of long-term debt	31.9	56.4
Other current liabilities	362.3	325.1
Total current liabilities	570.8	552.4
Long-term debt	305.0	304.3
Other long-term liabilities	303.1	307.0
Total liabilities	$ 1,178.9	$ 1,163.7
Shareholders' equity	$ 926.9	$ 830.4
Total liabilities and shareholders' equity	$ 2,105.8	$ 1,994.1

Net Sales and Operating Earnings by Reportable Segment

(Amounts in millions) *(Unaudited)*	THREE MONTHS ENDED June 28, 2003	THREE MONTHS ENDED June 29, 2002	SIX MONTHS ENDED June 28, 2003	SIX MONTHS ENDED June 29, 2002
NET SALES TO EXTERNAL CUSTOMERS				
Snap-on Dealer Group	$ 273.5	$ 270.2	$ 532.7	$ 521.9
Commercial and Industrial Group	250.1	236.9	493.5	456.6
Diagnostics and Information Group	41.6	40.1	82.1	78.7
Total net sales to external customers	$ 565.2	$ 547.2	$ 1,108.3	$ 1,057.2
INTERSEGMENT SALES				
Snap-on Dealer Group	$ 7.8	$ 6.2	$ 13.5	$ 10.7
Commercial and Industrial Group	32.2	30.7	61.5	60.5
Diagnostics and Information Group	34.3	49.1	70.2	91.8
Total intersegment sales	$ 74.3	$ 86.0	$ 145.2	$ 163.0
TOTAL NET SALES				
Snap-on Dealer Group	$ 281.3	$ 276.4	$ 546.2	$ 532.6
Commercial and Industrial Group	282.3	267.6	555.0	517.1
Diagnostics and Information Group	75.9	89.2	152.3	170.5
Segment net sales	639.5	633.2	1,253.5	1,220.2
Intersegment eliminations	(74.3)	(86.0)	(145.2)	(163.0)
Total consolidated net sales	$ 565.2	$ 547.2	$ 1,108.3	$ 1,057.2
OPERATING EARNINGS				
Snap-on Dealer Group	$ 23.6	$ 26.9	$ 47.2	$ 52.9
Commercial and Industrial Group	0.8	12.4	6.9	19.4
Diagnostics and Information Group	5.1	7.9	7.9	9.3
Segment Operating Earnings	29.5	47.2	62.0	81.6
Net finance income	11.2	8.8	21.7	16.1
Operating earnings	40.7	56.0	83.7	97.7
Interest expenses	(6.0)	(7.5)	(12.4)	(15.3)
Other income (expense) - net	(0.4)	(2.9)	(4.1)	(3.0)
Earnings before income taxes	$ 34.3	$ 45.6	$ 67.2	$ 79.4

Consolidated Statements of Cash Flows

(Amounts in millions) *(Unaudited)*	THREE MONTHS ENDED June 28, 2003	THREE MONTHS ENDED June 29, 2002	SIX MONTHS ENDED June 28, 2003	SIX MONTHS ENDED June 29, 2002
Net earnings	$ 22.3	$ 29.2	$ 43.7	$ 53.7
Adjustments to reconcile net earnings to net cash provided (used) by operating activities:				
Cumulative effect of a change in accounting principle - net tax	–	–	–	(2.8)
Depreciation and amortization	15.2	12.6	29.9	26.5
Deferred income tax provision (benefit)	(4.9)	2.5	(7.8)	22.9
Changes in operating assets and liabilities	4.4	12.7	(10.2)	(37.9)
Net cash from operations	$ 37.0	$ 57.0	$ 55.6	$ 62.4
Capital expenditures	(6.8)	(12.4)	(13.0)	(26.3)
Acquisitions of businesses – net of cash acquired	–	–	0.1	(0.8)
Cash dividends paid	(14.8)	(13.9)	(29.1)	(27.8)
Net decrease in total debt	(23.6)	(37.0)	(24.0)	(23.2)
Purchase of treasury stock	–	(3.2)	(3.8)	(6.4)
Proceeds from stock purchase and option plans	4.8	9.1	6.2	16.5
Other	10.8	1.2	12.4	5.1
Increase (decrease) in cash and cash equivalents	7.4	0.8	4.4	(0.5)
Cash and cash equivalents at beginning of period	15.4	5.4	18.4	6.7
Cash and cash equivalents at end of period	$ 22.8	$ 6.2	$ 22.8	$ 6.2

SECOND QUARTER AND SIX MONTH RESULTS

"Our continued strong cash flow and improved balance sheet reflect the progress made in strengthening Snap-on's businesses and processes," said Dale F. Elliott, chairman, president and chief executive officer. "The challenges of the weak economy in North America and Europe, however, continue to impact our sales and earnings performance, and underscore the need to accelerate the implementation of *Driven to Deliver* principles. This is reflected in our recent plans to phase out production at certain facilities and streamline those activities around core technologies. We will continue to drive continuous improvement and other performance enhancement activities within all of our business units, and expect to see positive results from these efforts going forward."

SECOND QUARTER

Net sales were $565.2 million in the second quarter of 2003, up $18.0 million, or 3.3%, from the $547.2 million of sales in the second quarter of 2002. The year-over-year increase was largely driven by favorable currency translation effects of $30.7 million, or 5.6%. Sales increases in the worldwide franchised dealer operation and equipment facilitation business were more than offset by decreases in big-ticket diagnostics and equipment, and tools for industrial and commercial applications worldwide.

Net earnings were $22.3 million, or $0.38 per diluted share, in the second quarter of 2003 compared with $29.2 million, or $0.50 per diluted share, in the prior year. Currency effects on diluted earnings per share were negligible. Savings from prior restructuring activities, and the benefits of continuous improvement actions and better price realization were offset by unfavorable volume and product mix, principally in the Commercial and Industrial Group. Lower sales volume in the Commercial and Industrial Group resulted from continued weak marketplace demand and the impact of a temporary sales disruption associated with a realignment of the company's North American equipment marketing and distribution organization. Unfavorable manufacturing cost absorption, primarily due to lower production volumes associated with improving inventory turns in a slow sales environment, and inventory-related costs reduced second-quarter earnings by $8.4 million. In addition, the company's earnings were impacted by $5.6 million for higher year-over-year pension, other retirement and insurance costs, and included $3.0 million of costs for ongoing continuous improvement actions. The comparable period for 2002 included $1.4 million in charges for restructuring-related transition actions.

Net finance income increased $2.4 million in the second quarter of 2003 compared with a year ago. Increased originations related to the dealer business, as well as a lower interest-rate environment, contributed to the increase. Favorable interest rates, along with substantially lower year-over-year debt levels, resulted in a $1.5 million decrease in Snap-on's interest expense for the quarter.

SIX MONTHS

For the first six months of 2003, net sales were $1,108.3 million, up $51.1 million, or 4.8%, from the $1,057.2 million in the first six months of last year. Favorable currency impacts of $58.7 million, or 5.6%, along with increased sales in the worldwide franchised dealer operation and facilitation business, were partially offset by declines in sales of industrial tools and big-ticket diagnostics and equipment. Sales of new products and favorable net pricing also contributed to the year-over-year sales increase.

Net earnings were $43.7 million, or $0.75 per diluted share, compared with $53.7 million, or $0.92 per diluted share, in 2002. Included in 2002 earnings is a cumulative effect after-tax gain of $2.8 million, or $0.05 per diluted share, from an accounting change required by the adoption of SFAS No. 142.

In the Snap-on Dealer Group segment, six-month sales were $546.2 million in 2003 compared with $532.6 million in 2002, and operating earnings were $47.2 million in 2003 compared with $52.9 million a year ago. In the Commercial and Industrial Group segment, six-month sales were $555.0 million in 2003 compared with $517.1 million in 2002, and operating earnings were $6.9 million in 2003 compared with $19.4 million a year ago. In the Diagnostics and Information Group segment, six-month sales were $152.3 million in 2003 compared with $170.5 million in 2002, and operating earnings were $7.9 million in 2003 compared with $9.3 million a year ago.

CASH FLOW

Cash flow from operating activities was $37.0 million in the second quarter of 2003 compared with $57.0 million in 2002. For the six months, cash flow from operating activities was $55.6 million compared with $62.4 million a year ago.

A priority for Snap-on has been to use cash flow to reduce debt. The ratio of total debt to total capital (total debt plus shareholders' equity) strengthened to 26.7% at the end of the 2003 second quarter from 30.3% at the end of fiscal-year 2002. This is a significant improvement from the 34.6% a year ago, reflecting both the decrease in debt and an increase in shareholders' equity.

Another key priority of Snap-on has been to improve working investment turnover to a targeted four turns by 2005, which is expected to generate cash of approximately $250 million from the beginning of fiscal 2001 to the end of 2005. As of the end of the second-quarter 2003, Snap-on has achieved 2.9 turns (based on the current quarter end) compared with 2.7 turns in the prior-year period, which includes inventory turns improving to 3.3 turns (based on a rolling four-quarters average) compared with 2.9 turns in the comparable period a year ago. Working investment (current accounts receivable - net of allowances plus inventories less accounts payable) at the end of the second quarter of 2003 was $788.6 million, including an increase of $51.4 million due to currency translation year to date.

OUTLOOK

Snap-on plans to phase out production at two of its U.S. hand tool plants, with a planned completion in 2004. The closure of these facilities would streamline and center production capacity around core technologies in the United States and improve operational effectiveness. As a result, higher profitability, lower asset intensity and improved customer service levels are expected to be achieved.

The anticipated savings from these plans would be approximately $12 million per year, beginning in 2004. In addition, Snap-on expects that these actions would provide even further inventory reduction and process improvement opportunities.

Snap-on would expect to record approximately $22 million of costs in the remainder of 2003 associated with these actions, of which approximately $17 million would be in the third quarter, including the expected recognition of approximately $12 million for accelerated pension and post-retirement medical plan curtailment expenses, with the remaining costs primarily for severance and transition expenses. In addition, Snap-on expects that approximately $4 million of severance and transition expenses would be recognized in 2004 over the phase-out period.

Snap-on will continue to emphasize the consistent and widespread application of its *Driven to Deliver* strategic framework, including the implementation of performance improvement initiatives. The company remains committed to seeking opportunities for process improvements that will enhance competitiveness and customer responsiveness throughout its global organization.

On June 26, 2003, Snap-on stated that it expected full-year 2003 earnings per diluted share to increase 5% to 10% year over year. As of August 7, 2003, Snap-on does not anticipate any change in the business and economic factors, as outlined below, underlying that expectation. However, as a consequence of the costs associated with the actions outlined above that will reduce earnings per share in 2003 by approximately $0.25, Snap-on now expects full-year 2003 earnings to be in a range of $1.65 to $1.75 per share.

At the present time, Snap-on continues to expect no significant change in the steady demand of tools by vehicle-service technicians. A potential concern regarding possible increases in oil and gasoline prices appears to have receded at present, but there is still little indication of broad improvement in the general economy, particularly in the industrial and capital goods sectors. The full-year earnings expectation also recognizes that Snap-on expects to incur costs to implement business improvements; is incurring higher pension, other retirement and insurance costs, and expects to continue to fund new product development. The full-year earnings expectation also recognizes that Snap-on assumes ongoing savings from its continuous improvement initiatives, a positive effect of having 53 weeks in the 2003 fiscal year and no significant change in the continued introduction of successful new products.

SAFE HARBOR

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Independent Auditors

Deloitte & Touche LLP
411 East Wisconsin Avenue
Suite 2300
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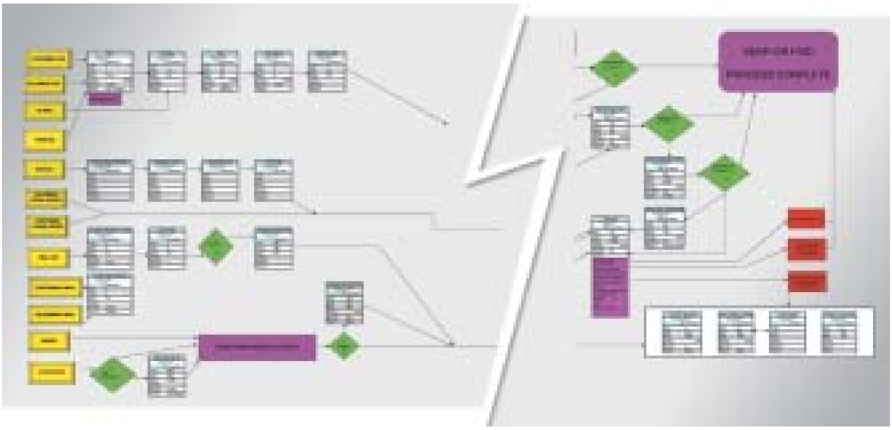

Many departments and functions use Value Stream Mapping to analyze processes to identify their current state and develop the desired future state. The gap between these two states is the foundation for an improvement work plan, which identifies projects and blitz topics needed to implement the future state.

Ongoing improvements

On a global basis, ongoing improvements are taking place in the way we do things. Snap-on is adopting the use of Lean business principles as a key element in meeting corporate performance goals and creating sustainable competitive advantage. Employees are doing this through the identification and elimination of waste using creative involvement. Continuous Improvement resources are active in all business units and divisions. The application of Lean business principles can be made to any function in the organization. Purchasing, product development, supply chain, manufacturing, distribution, sales support, IT, customer service – all functions play a part in the time it takes to get a product, service or information to our customers.

John Bean accounting manager, Marilyn Starkey, and accounting director, Roxana Worley, worked with a team of employees and made a significant impact on working investment by achieving faster inventory turns and lower receivables. Through use of a disciplined approach, they tracked metrics, identified problems, performed blitzes and implemented plans. This group is also a subset of a larger team that reviews current month inventory data and looks at detailed inventory trends and targets products for specific action.

Algona, Iowa, employees worked on a pit cart project, which involved developing a product unique to the market. The unit has a pull-handle, uses wheels instead of casters, incorporates an automotive-style steering mechanism and disk brakes. It sets Snap-on apart, and also has the potential to generate a considerable increase in sales dollars. Technicians had input early on to ensure the product met their needs.

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