

SNAP-ON INCORPORATED  
2008 ANNUAL REPORT

UNIQUE

FOR REAL PROFESSIONALS DOING CRITICAL TASKS

SOLUTIONS

*Snap-on*



**The smarter they WORK, the faster they FLY, the deeper they DRILL, the bigger**

**POWER  
GENERATION**



**ALTERNATIVE  
ENERGY**



**MILITARY &  
GOVERNMENT**



**AUTO REPAIR**



**HEAVY  
EQUIPMENT**



**VOCATIONAL  
SCHOOLS**



**For a wide range of SERIOUS PROFESSIONALS, in CRITICAL INDUSTRIES,  
we deliver UNIQUE PRODUCTIVITY SOLUTIONS, growing our presence WORLDWIDE**



they BUILD, the farther they DRIVE, the more they need



MINING



AEROSPACE & AVIATION



FLEET MAINTENANCE



NATURAL RESOURCES



TRADES



AGRICULTURE



Snap-on reaches professionals through over 4,750 mobile stores, over 3,000 salespeople and 27,000 distributors. Our sales, distribution and manufacturing network reaches across 130 countries on every continent. We believe presence is key to effectively serving our customers.



## TO OUR SNAP-ON SHAREHOLDERS

Our 2008 results demonstrate the benefit of Snap-on's effective balance between capturing growth and increasing efficiency. The company once again delivered record earnings, this time against a backdrop of increasing turmoil and negative economic developments.

The growing diversification of our business model was a significant advantage in 2008. We served more customers in more categories across more geography than ever before. The unique role that innovation plays in the way Snap-on creates value also served us well. We successfully introduced a stream of productivity enhancing product and service offerings and expanded our pipeline for the future. Customer service remained a priority as we continued to re-shape our supply chain, invigorate our manufacturing processes and improve our complete and on-time order fill

rates. Executing these fundamental strategies creates a strong foundation, helping us weather the challenges ahead.

The year, of course, saw worsening global economies. Tight credit conditions pressured customer demand, particularly for large ticket items and capital purchases. Given these unprecedented economic headwinds, we are pleased with our relative performance. Operating income for the year was a new high. Even the fourth quarter, while a particular volume challenge, saw record profitability. We thank our associates, franchisees and distributors for their unwavering focus in confronting these challenges.

For the year, net sales were \$2.853 billion compared to \$2.841 billion in 2007. Operating earnings improved to 13.2% of revenue, as compared to 11.2% in 2007, increasing 19.7% or \$64 million. Earnings per diluted share rose 31.7% to a record \$4.07 in 2008, as compared to \$3.09 in 2007.

Snap-on became a public company in 1939. Since that time, Snap-on has paid uninterrupted and unreduced dividends to its shareholders each and every quarter. Few public companies





**At Snap-on, we innovate through a combination of customer insight and powerful technology.** Snap-on President and Chief Executive Officer Nick Pinchuk discusses how the new Verus™ diagnostics platform will improve technician productivity with Chenglin Suo, product engineering and Holly Judt, finance.

**In 2008, Snap-on opened Innovation Works,** a 14,100 sq. ft. R&D facility that includes a full auto shop, large applications room and a range of research, development and prototyping capabilities. This is the largest of several Snap-on development and training facilities located in the U.S. and Europe.

can make this claim. In 2008, dividends paid per share rose to \$1.20 from \$1.11 in 2007.

Our use of rapid continuous improvement (RCI) processes also served us well in the past year. This helped us eliminate waste and reduce cost to fund investment and important strategic activities. In 2008, we experienced significant volatility in the cost of steel, fuel and other commodities, as well as significant foreign currency exchange rate movements, which impacted our financial results. The benefit of our RCI activities and selective pricing more than offset these impacts over the year. Next year the challenges in these areas, particularly in foreign currency, will continue. In that regard, we will expand our RCI activity and pursue additional cost reductions.

Our manufacturing system plays an important role in delivering world-class products to a broad range of customers. In 2008, we continued to invest in improving our existing North American and Western European production facilities to increase productivity, upgrade technology and ensure continued quality.

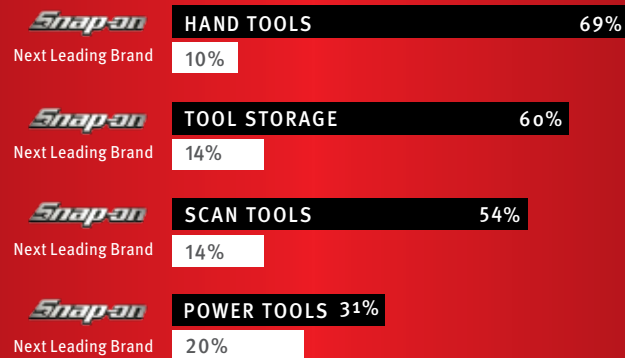



Prototypes, like these for the new Verus scan tool, will be developed at Innovation Works.

In China and Eastern Europe, we're accelerating expansion of manufacturing capability and capacity, enabling near-term growth. Our expanding locations in China enable growth in additional products as well as in existing categories. In March, Snap-on acquired a 60% interest in a major hand tool manufacturing operation in Hang Zhou, China. The new venture, known as Wanda Snap-on, is one more strategic step in building our presence in emerging markets and lower-cost regions.

## SNAP-ON CHOSEN BEST OVERALL BRAND IN KEY CATEGORIES

Snap-on again earned Frost & Sullivan Technician's Choice Awards that measure brand preference by automotive technicians, shop owners and managers. Snap-on was the overwhelming leader in all 4 key categories.



 Our legendary Snap-on® brand continues to grow stronger. As we expand beyond the automotive garage, the strength of the brand provides confidence to users in critical applications where second-best is not an option. Snap-on marks the user as a serious professional while making the work easier. Whether measured by endorsement from auto technicians, the confidence of global aerospace companies, or purchases by industrial market leaders in growing segments like energy and natural resources, the Snap-on brand is stronger than ever.

Our Bahco® brand also continues to grow in importance. It gives our Corporation another powerful avenue for expansion throughout the world, especially in the emerging markets of Eastern Europe and Asia-Pacific. Founded on 120 years of excellence, Bahco products deliver unique ergonomics and strong user connection across a range of professional industries.



In the **Snap-on Tools Group**, net sales were flat as compared with 2007. Operating earnings declined 5.9%, primarily due to increased commodity costs, currency effects and LIFO related inventory expenses.

We continue to focus on enhancing our franchise proposition and improving the profitability and performance of our franchisees. When they succeed, we succeed.

In cooperation with the National Franchise Advisory Council, we launched an effort to help franchisees reduce their operating costs. There are now specific programs being deployed to help franchisees reduce key expenses, including fuel, freight, credit, advertising, office supplies and more. In addition, franchisees are being supported with a stream of improved technology and processes to enhance their productivity. Expanded 2008 training programs brought a focus on the basics to franchisees, yielding strong results for most participants. Snap-on also fielded a small group of mobile company stores in the past year. These let us test programs prior to launch and help improve our overall support to the franchise system.

Successful new product launches, continued improvements in supply chain delivery, stronger event marketing initiatives and other key programs strengthened both our van network and our market position. As testimony to this progress, *Entrepreneur Magazine* named Snap-on as a 2009 "top ten" home-based franchise and the top 2009 mobile tool franchise. We thank our franchisees and their families for their continued commitment and passion.

Our **Commercial & Industrial Group** again made strong progress in 2008. Net sales increased 4.3% and operating earnings were up 27.2% over 2007. This progress is a reflection of the balance between growth and productivity that is Snap-on's long-term objective. A combination of growth initiatives and innovative products increased sales. Strong expense control, restructuring activities and efficiency initiatives aggressively reduced expense.

Efforts to increase business in mission critical industries including natural resource and energy markets, government, aerospace and aviation were successful. Our focus on delivering differentiated and integrated solutions for these, and other critical industries, continues into the future.

Our global businesses benefited from technology developments, product innovation and sales efforts targeted at key customers. In power tools, we continued a string of successful launches, reinforcing our leadership with technicians. In undercar equipment, successful innovations extended our lead in the important imaging aligner category. These and other unique productivity solutions launched in 2008 will provide strong positioning for the future.

In 2008, we also continued to deepen our partnership with industry consortiums, technical schools and organizations that further the growth and expertise within our key customer

segments. These efforts are making the Snap-on brand and official Snap-on certification the hallmarks of excellence for technicians of the future.

In Western Europe, sales were difficult as economic conditions weakened. These difficulties were offset partially by sales growth in Eastern Europe where we continued to expand our presence. We also worked to selectively strengthen our manufacturing and distribution, positioning ourselves to take full advantage of future opportunities.

Sales in Asia-Pacific grew as we capitalized on our expanded network of sales offices and distributors. During 2008, Snap-on also made significant progress in expanding both our Asian product line and our manufacturing footprint in this emerging region. Undercar equipment, power tool and cutting tool lines were broadened and manufacturing capacity was increased in Kunshan and with the addition of the Wanda Snap-on joint venture. Further, efforts in lower cost, third party sourcing from the region were substantially expanded.

In the **Diagnostics & Information Group**, 2008 sales declined 3.5% from 2007, while operating earnings increased 13.5%.

Sales in certain segments were strong, as we launched successful, innovative hardware and software platforms addressing both automotive and heavy-duty truck markets. Efforts to increase global penetration in diagnostics were rewarded with increased volume for that business unit. Beyond hardware, new products in repair information, shop management, electronic parts catalogs and other segments were well received, providing 2008 sales growth and strong future potential.

These gains were more than offset by lower sales to original equipment manufacturers (OEMs), primarily in our Equipment Solutions unit. The end of a major essential tool program in

North America and the wind-down of a European facilitation program impacted overall sales. As 2008 progressed, investment restraint by OEM dealerships also became an important factor.



Snap-on business managers work shoulder to shoulder with franchisees in business planning and training sessions to support our network.

Overall, 2008 was another encouraging year marked by strategic progress as well as record earnings despite the economic turmoil. We recognize that 2009 will be challenging. We're confident, however, that the strength of our brands, the resilience of our business models and the power of Snap-on Value Creation processes outlined on the next page will mitigate the impact of the difficult economy. We also recognize that Snap-on has opportunity in the turbulence. We will continue to invest in those areas that will be strategically decisive for the future and will emerge from this challenging period with an even stronger competitive position than we enjoy today.

In 2008 we welcomed Nate Jones and his deep industrial experience to the Board. In addition, we offer special gratitude to Jack Michaels, our Chairman, and a Snap-on board member since 1998, who has provided ongoing mentoring and support. We thank all of our dedicated Board members for their continued, invaluable support. Finally, we thank our associates, our franchisees and our shareholders for their contributions, service and dedication.

**Nicholas T. Pinchuk**  
President and Chief Executive Officer

## Who We Are OUR MISSION

The most valued productivity solutions in the world

### BELIEFS

**We deeply believe in:**

Non-negotiable Product and Workplace Safety  
Uncompromising Quality  
Passionate Customer Care  
Fearless Innovation  
Rapid Continuous Improvement

### VALUES

**Our behaviors define our success:**

We demonstrate Integrity.  
We tell the Truth.  
We respect the Individual.  
We promote Teamwork.  
We Listen.

### VISION

**To be acknowledged as the:**

Brands of Choice  
Employer of Choice  
Franchisor of Choice  
Business Partner of Choice  
Investment of Choice



# SNAP-ON VALUE CREATION

## PRINCIPLES AND PROCESSES WE APPLY TO CREATE VALUE

Founded on our mission and values, these are strategic processes we use daily to create value across Snap-on, in the strategic partners we embrace and in the acquisitions we make.

### SAFETY CULTURE & PRACTICES

Our commitment to safety is unwavering. In 2008, we improved again, sustaining a record significantly better than the U.S. average for manufacturing. Every associate participates. Every location reports monthly on standard measures. We will continue our emphasis on maintaining safety for the Snap-on family as we move forward.

### QUALITY ASSURANCE

The serious professionals who use our tools demand superior quality. Snap-on has been delivering just that since its founding . . . for almost 90 years. We maintain clear standards for our brands and products. All of our manufacturing, distribution and repair facilities are ISO 9001-2000 certified, ensuring repeatable delivery of these standards. And, we constantly work to keep improving in this area.

### CUSTOMER CONNECTION

The professional range and geography of our customers is broad. Snap-on seeks a face-to-face relationship with many of its core customers and users, providing strategic advantage and a constant opportunity to learn what they want and need. Increasingly, we segment and target our markets more tightly so we can meet specialized requirements. We work hard to improve the customer experience using a range of satisfaction measurements. Over time, we believe this creates deep customer loyalty.

### RAPID CONTINUOUS IMPROVEMENT

We continue to successfully deploy a structured set of tools and processes enabling us to eliminate waste while making improvements in quality, delivery and cost. We have applied this approach quite successfully across manufacturing and administration. Every significant location in the enterprise has an RCI manager and practice in place. RCI was critical to our achievement of operating income improvement in 2008.

### INSIGHT & INNOVATION

We are a company founded on new tool ideas that thrives on innovation. This helps us deliver unique, new solutions on a regular basis to make professional work easier. A growing suite of processes and practices helps us understand the articulated and unmet needs of our customers and turn these insights into product design and practical solutions. In 2008, our customers again rewarded us with strong purchases of new products.



# DIRECTORS AND COMPANY MANAGEMENT

## BOARD OF DIRECTORS

### **Jack D. Michaels**

Chairman of the Board  
Retired President  
and Chief Executive Officer  
Snap-on Incorporated  
*Director since 1998*

### **Bruce S. Chelberg (c)**

Retired Chairman of the Board  
and Chief Executive Officer  
Whitman Corporation  
*Director since 1993*

### **Karen L. Daniel (a)\***

Executive Vice President  
and Chief Financial Officer  
Black & Veatch Corporation  
*Director since 2005*

### **Roxanne J. Decyk (b)\***

Corporate Affairs Director  
Royal Dutch Shell plc  
*Director since 1993*

### **John F. Fiedler (c)**

Retired Chairman of the Board  
and Chief Executive Officer  
BorgWarner Inc.  
*Director since 2004*

### **James P. Holden (a)**

Retired President  
and Chief Executive Officer  
DaimlerChrysler Corporation  
*Director since 2007*

### **Nathan J. Jones (a)**

Retired President, Worldwide  
Commercial & Consumer Equipment  
Division of Deere & Company  
*Director since 2008*

### **Arthur L. Kelly (b)**

Managing Partner  
KEL Enterprises L.P.  
*Director since 1978*

### **W. Dudley Lehman (c)\***

Retired Group President –  
Business to Business  
Kimberly-Clark Corporation  
*Director since 2003*

### **Nicholas T. Pinchuk**

President and Chief Executive Officer  
Snap-on Incorporated  
*Director since 2007*

### **Edward H. Rensi (b)**

Owner and Chief Executive Officer  
Team Rensi Motorsports,  
Retired President  
and Chief Executive Officer  
McDonald's U.S.A.  
*Director since 1992*

### **Richard F. Teerlink (a)**

Retired Chairman of the Board  
and Chief Executive Officer  
Harley-Davidson, Inc.  
*Director since 1997*

#### BOARD COMMITTEES:

- (a) Audit Committee
- (b) Organization and Executive Compensation Committee
- (c) Corporate Governance and Nominating Committee

\*Denotes Chair

## MANAGEMENT TEAM

### **Eugenio Amador**

Vice President –  
Sales – SNA Europe

### **Govind K. Arora**

Vice President –  
Worldwide Strategic  
Sourcing

### **Jesus Arregui**

Vice President –  
Operations –  
SNA Europe

### **Anup R. Banerjee**

Vice President –  
Operations Processes

### **Iain Boyd**

Vice President –  
Human Resources

### **Bennett L. Brenton**

Vice President –  
Innovation

### **Donald E. Broman**

President –  
Industrial Worldwide

### **Joseph R. Burger**

General Manager –  
Snap-on Credit

### **Richard V. Caskey**

President –  
Merchandised Product

### **Martin M. Ellen**

Senior Vice President –  
Finance and Chief  
Financial Officer

### **David R. Ellingen**

President –  
Diagnostics and  
Mitchell1

### **Michael G. Gentile**

President –  
Hand Tools

### **Andrew R. Ginger**

Vice President –  
Chief Marketing  
Officer

### **Gary S. Henning**

Vice President –  
Operations  
Development

### **Constance R. Johnsen**

Vice President  
and Controller

### **Thomas L. Kassouf**

Senior Vice President  
and President –  
Commercial Group

### **Jean-Pierre Levrey**

President –  
SNA Europe

### **Manuel Macedo**

Vice President –  
Rapid Continuous  
Improvement

### **Jeanne M. Moreno**

Vice President –  
Chief Information  
Officer

### **James Ng**

Vice President –  
Operations –  
Snap-on Asia-Pacific

### **Benny Oh**

President –  
Snap-on Asia-Pacific

### **Aldo J. Pagliari**

President –  
Snap-on Equipment

### **Mark S. Pezzoni**

President –  
Power and  
Specialty Tools

### **Nicholas T. Pinchuk**

President and  
Chief Executive Officer

### **Christopher H. Potter**

President –  
Tool Storage

### **Mary Beth Siddons**

President –  
Snap-on Business and  
Equipment Solutions

### **Irwin M. Shur**

Vice President,  
General Counsel  
and Secretary

### **Thomas J. Ward**

Senior Vice President  
and President –  
Snap-on Tools Group

### **Barrie Young**

President –  
Sales and Franchising





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