

SNAP-ON Inc
Form 10-K
February 11, 2016
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended January 2, 2016, or

.. TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
Commission File Number 1-7724

(Exact name of registrant as specified in its charter)

Delaware
(State of incorporation)

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

2801 80th Street, Kenosha, Wisconsin
(Address of principal executive offices)

(262) 656-5200

53143
(Zip code)

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

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Title of each class	Name of each exchange on which registered
Common stock, \$1.00 par value	New York Stock Exchange
Securities registered pursuant to Section 12(g) of the Act: None	

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes No

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in a definitive proxy or information statement incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The aggregate market value of voting and non-voting common equity held by non-affiliates (excludes 450,073 shares held by directors and executive officers) computed by reference to the price (\$160.79) at which common equity was last sold as of the last business day of the registrant's most recently completed second fiscal quarter (July 4, 2015) was \$9.3 billion.

The number of shares of Common Stock (\$1.00 par value) of the registrant outstanding as of February 5, 2016, was 58,092,025 shares.

DOCUMENTS INCORPORATED BY REFERENCE

Part III of this Annual Report on Form 10-K incorporates by reference certain information that will be set forth in Snap-on's Proxy Statement, which is expected to first be mailed to shareholders on or about March 11, 2016, prepared for the Annual Meeting of Shareholders scheduled for April 28, 2016.

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PART I

Safe Harbor

Statements in this document that are not historical facts, including statements that (i) are in the future tense; (ii) include the words “expects,” “plans,” “targets,” “estimates,” “believes,” “anticipates,” or similar words that reference Snap-on Incorporated (“Snap-on” or the company) or its management; (iii) are specifically identified as forward-looking; or (iv) describe Snap-on’s or management’s future outlook, plans, estimates, objectives or goals, are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Snap-on cautions the reader that any forward-looking statements included in this document that are based upon assumptions and estimates were developed by management in good faith and 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. Accordingly, forward-looking statements should not be relied upon as a prediction of actual results or regarded as a representation by the company or its management that the projected results will be achieved. For those forward-looking statements, Snap-on cautions the reader that numerous important factors, such as those listed below, as well as those factors discussed in this Annual Report on Form 10-K, particularly those in Item 1A: Risk Factors, could affect the company’s actual results and could cause its actual consolidated results to differ materially from those expressed in any forward-looking statement made by, or on behalf of, Snap-on.

These risks and uncertainties include, without limitation, uncertainties related to estimates, statements, assumptions and projections generally, and the timing and progress with which Snap-on can attain value through its Snap-on Value Creation Processes, including its ability to realize efficiencies and savings from its rapid continuous improvement and other cost reduction initiatives, improve workforce productivity, achieve improvements in the company’s manufacturing footprint and greater efficiencies in its supply chain, and enhance machine maintenance, plant productivity and manufacturing line set-up and change-over practices, any or all of which could result in production inefficiencies, higher costs and/or lost revenues. These risks also include uncertainties related to Snap-on’s capability to implement future strategies with respect to its existing businesses, its ability to refine its brand and franchise strategies, retain and attract franchisees, further enhance service and value to franchisees and thereby help improve their sales and profitability, introduce successful new products, successfully pursue, complete and integrate acquisitions, as well as its ability to withstand disruption arising from natural disasters, planned facility closures or other labor interruptions, the effects of external negative factors, including adverse developments in world financial markets, weakness in certain areas of the global economy, and significant changes in the current competitive environment, inflation, interest rates and other monetary and market fluctuations, changes in tax rates and regulations, and the impact of energy and raw material supply and pricing, including steel and gasoline, the amount, rate and growth of Snap-on’s general and administrative expenses, including health care and postretirement costs (resulting from, among other matters, U.S. health care legislation and its implementation), continuing and potentially increasing required contributions to pension and postretirement plans, the impacts of non-strategic business and/or product line rationalizations, and the effects on business as a result of new legislation, regulations or government-related developments or issues, risks associated with data security and technological systems and protections, and other world or local events outside Snap-on’s control, including terrorist disruptions. Snap-on disclaims any responsibility to update any forward-looking statement provided in this document, except as required by law.

In addition, investors should be aware that generally accepted accounting principles in the United States of America (“U.S. GAAP”) prescribe when a company should reserve for particular risks, including litigation exposures. Accordingly, results for a given reporting period could be significantly affected if and when a reserve is established for a major contingency. Reported results, therefore, may appear to be volatile in certain accounting periods.

Fiscal Year

Snap-on’s fiscal year ends on the Saturday that is on or nearest to December 31. Unless otherwise indicated, references in this document to “fiscal 2015” or “2015” refer to the fiscal year ended January 2, 2016; references to “fiscal 2014” or “2014” refer to the fiscal year ended January 3, 2015; and references to “fiscal 2013” or “2013” refer to the fiscal year ended December 28, 2013. Snap-on’s 2015 and 2013 fiscal years each contained 52 weeks of operating results; Snap-on’s 2014 fiscal year contained 53 weeks of operating results, with the extra week occurring in the fourth quarter. References in this document to 2015, 2014 and 2013 year end refer to January 2, 2016, January 3, 2015, and December 28, 2013, respectively.

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Item 1: Business

Snap-on was incorporated under the laws of the state of Wisconsin in 1920 and reincorporated under the laws of the state of Delaware in 1930. Snap-on is a leading global innovator, manufacturer and marketer of tools, equipment, diagnostics, repair information and systems solutions for professional users performing critical tasks. Products and services include hand and power tools, tool storage, diagnostics software, information and management systems, shop equipment and other solutions for vehicle dealerships and repair centers, as well as for customers in industries, including aviation and aerospace, agriculture, construction, government and military, mining, natural resources, power generation and technical education. Snap-on also derives income from various financing programs designed to facilitate the sales of its products and support its franchise business.

Snap-on markets its products and brands through multiple sales distribution channels in more than 130 countries. Snap-on's largest geographic markets include the United States, the United Kingdom, Canada, Germany, Australia, France, Japan, Spain, Brazil, Sweden, Italy, China, Argentina, Saudi Arabia, Mexico, the Netherlands, Denmark, India, Norway, Finland, Indonesia, Belgium and Poland. Snap-on reaches its customers through the company's franchisee, company-direct, distributor and internet channels. Snap-on originated the mobile tool distribution channel in the automotive repair market.

The company began with the development of the original Snap-on interchangeable socket set in 1920 and subsequently pioneered mobile tool distribution in the automotive repair market, where fully stocked vans sell to professional vehicle technicians at their place of business. Snap-on now defines its value proposition more broadly, extending its reach beyond the garage to deliver a broad array of unique solutions that make work easier for serious professionals performing critical tasks. The company's coherent growth strategy focuses on developing and expanding its professional customer base in its legacy automotive market, as well as in adjacent markets, additional geographies and other areas, including in critical industries, where the cost and penalties for failure can be high. In addition to its coherent growth strategy, Snap-on is committed to its Value Creation Processes—a set of strategic principles and processes designed to create value and employed in the areas of (i) safety; (ii) quality; (iii) customer connection; (iv) innovation; and (v) rapid continuous improvement (RCI). Snap-on's RCI initiatives employ a structured set of tools and processes across multiple businesses and geographies intended to eliminate waste and improve operations. Savings from Snap-on's RCI initiatives reflect benefits from a wide variety of ongoing efficiency, productivity and process improvements, including savings generated from product design cost reductions, improved manufacturing line set-up and change-over practices, lower-cost sourcing initiatives and facility consolidations.

Snap-on's primary customer segments include: (i) commercial and industrial customers, including professionals in critical industries and emerging markets; (ii) professional vehicle repair technicians who purchase products through the company's worldwide mobile tool distribution network; and (iii) other professional customers related to vehicle repair, including owners and managers of independent and original equipment manufacturer (OEM) dealership service and repair shops (OEM dealerships). Snap-on's Financial Services customer segment includes: (i) franchisees' customers and Snap-on's industrial and other customers who require financing for the purchase or lease of tools and diagnostics and equipment products on an extended-term payment plan; and (ii) franchisees who require financing for business loans and vehicle leases.

Snap-on's business segments are based on the organization structure used by management for making operating and investment decisions and for assessing performance. Snap-on's reportable business segments are: (i) the Commercial & Industrial Group; (ii) the Snap-on Tools Group; (iii) the Repair Systems & Information Group; and (iv) Financial Services. The Commercial & Industrial Group consists of business operations serving a broad range of industrial and commercial customers worldwide, including customers in the aerospace, natural resources, government and technical education market segments (collectively, critical industries), primarily through direct and distributor channels. The Snap-on Tools Group consists of business operations primarily serving vehicle service and repair technicians through the company's worldwide mobile tool distribution channel. The Repair Systems & Information Group consists of business operations serving other professional vehicle repair customers worldwide, primarily owners and managers of independent repair shops and OEM dealerships, through direct and distributor channels. Financial Services consists of the business operations of Snap-on Credit LLC (SOC), the company's financial services business in the United States, and Snap-on's other financial services subsidiaries in those international markets where Snap-on has franchise operations. See Note 18 to the Consolidated Financial Statements for information on business segments and foreign operations.

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Snap-on evaluates the performance of its operating segments based on segment revenues, including both external and intersegment net sales, and segment operating earnings. Snap-on accounts for intersegment sales and transfers based primarily on standard costs with reasonable mark-ups established between the segments. Identifiable assets by segment are those assets used in the respective reportable segment's operations. Corporate assets consist of cash and cash equivalents (excluding cash held at Financial Services), deferred income taxes and certain other assets. All significant intersegment amounts are eliminated to arrive at Snap-on's consolidated financial results.

Recent Acquisitions

On July 27, 2015, Snap-on acquired the assets of Ecotechnics S.p.A. (Ecotechnics) for a cash purchase price of \$11.8 million. Ecotechnics designs and manufactures vehicle air conditioning service equipment for OEM dealerships and the automotive aftermarket worldwide. The acquisition of the Ecotechnics product line complemented and increased Snap-on's existing equipment product offering for OEM dealerships and independent automotive repair shops, broadened its established capabilities in serving vehicle repair facilities, and expanded the company's presence with repair shop owners and managers.

On May 28, 2014, Snap-on acquired substantially all of the assets of Pro-Cut International, Inc. (Pro-Cut) for a cash purchase price of \$41.3 million. Pro-Cut designs, manufactures and distributes on-car brake lathes, related equipment and accessories used in brake servicing by automotive repair facilities. The acquisition of the Pro-Cut product line complemented and increased Snap-on's existing undercar equipment product offering, broadened its established capabilities in serving vehicle repair facilities and expanded the company's presence with repair shop owners and managers.

On May 13, 2013, Snap-on acquired Challenger Lifts, Inc. (Challenger) for a cash purchase price of \$38.2 million. Challenger designs, manufactures and distributes a comprehensive line of vehicle lifts and accessories to a diverse customer base in the automotive repair sector. The acquisition of the Challenger vehicle lift product line complemented and increased Snap-on's existing undercar equipment product offering, broadened its established capabilities in serving vehicle repair facilities and expanded the company's presence with repair shop owners and managers.

For segment reporting purposes, the results of operations and assets of Ecotechnics, Pro-Cut and Challenger have been included in the Repair Systems & Information Group since the respective acquisition dates. Pro forma financial information has not been presented as the net effects of these acquisitions, both individually and collectively, were neither significant nor material to Snap-on's results of operations or financial position.

Information Available on the Company's Website

Additional information regarding Snap-on and its products is available on the company's website at www.snapon.com. Snap-on is not including the information contained on its website as a part of, or incorporating it by reference into, this Annual Report on Form 10-K. Snap-on's Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Proxy Statements on Schedule 14A and Current Reports on Form 8-K, as well as any amendments to those reports, are made available to the public at no charge, other than an investor's own internet access charges, through the Investor Information section of the company's website at www.snapon.com. Snap-on makes such material available on its website as soon as reasonably practicable after it electronically files such material with, or furnishes it to, the Securities and Exchange Commission (SEC). Copies of any materials the company files with the SEC can also be obtained free of charge through the SEC's website at www.sec.gov. The SEC's Public Reference Room can be contacted at 100 F Street, N.E., Washington, D.C. 20549, or by calling 1-800-732-0330. In addition, Snap-on's (i) charters for the Audit, Corporate Governance and Nominating, and Organization and Executive Compensation Committees of the company's Board of Directors; (ii) Corporate Governance Guidelines; and (iii) Code of Business Conduct and Ethics are available on the company's website. Snap-on will also post any amendments to these documents, or information about any waivers granted to directors or executive officers with respect to the Code of Business Conduct and Ethics, on the company's website at www.snapon.com.

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Snap-on offers a broad line of products and complementary services that are grouped into three product categories: (i) tools; (ii) diagnostics and repair information; and (iii) equipment. Further product line information is not presented as it is not practicable to do so. The following table shows the consolidated net sales of these product categories for the last three years:

<i>(Amounts in millions)</i>	2015	Net Sales 2014	2013
Product Category:			
Tools	\$ 1,910.1	\$ 1,868.5	\$ 1,743.3
Diagnostics and repair information	689.6	689.5	652.0
Equipment	753.1	719.7	661.2
	\$ 3,352.8	\$ 3,277.7	\$ 3,056.5

The *tools* product category includes hand tools, power tools and tool storage products. Hand tools include wrenches, sockets, ratchet wrenches, pliers, screwdrivers, punches and chisels, saws and cutting tools, pruning tools, torque measuring instruments and other similar products. Power tools include cordless (battery), pneumatic (air), hydraulic and corded (electric) tools, such as impact wrenches, ratchets, screwdrivers, drills, sanders, grinders and similar products. Tool storage includes tool chests, roll cabinets and other similar products. For many industrial customers, Snap-on creates specific, engineered solutions, including facility-level tool control and asset management hardware and software, custom kits in a wide range of configurations, and custom-built tools designed to meet customer requirements. The majority of products are manufactured by Snap-on and, in completing the product offering, other items are purchased from external manufacturers.

The *diagnostics and repair information* product category includes handheld and PC-based diagnostic products, service and repair information products, diagnostic software solutions, electronic parts catalogs, business management systems and services, point-of-sale systems, integrated systems for vehicle service shops, OEM purchasing facilitation services, and warranty management systems and analytics to help OEM dealerships manage and track performance.

The *equipment* product category includes solutions for the diagnosis and service of vehicles and industrial equipment. Products include wheel alignment equipment, wheel balancers, tire changers, vehicle lifts, test lane systems, collision repair equipment, vehicle air conditioning service equipment, brake service equipment, fluid exchange equipment, transmission troubleshooting equipment, safety testing equipment, battery chargers and hoists.

Snap-on supports the sale of its diagnostics and vehicle service shop equipment by offering training programs as well as after-sales support for its customers, primarily focusing on the technologies and the application of specific products developed and marketed by Snap-on.

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Products are marketed under a number of brand names and trademarks, many of which are well known in the vehicle service and industrial markets served. Some of the major trade names and trademarks and the products and services with which they are associated include the following:

Names	Products and Services
Snap-on	Hand tools, power tools, tool storage products (including tool control software and hardware), diagnostics, certain equipment and related accessories, mobile tool stores, websites, electronic parts catalogs, warranty analytics solutions, business management systems and services, OEM specialty tools and equipment development and distribution, and OEM facilitation services
ATI	Aircraft hand tools and machine tools
BAHCO	Saw blades, cutting tools, pruning tools, hand tools, power tools and tool storage
Blackhawk	Collision repair equipment
Blue-Point	Hand tools, power tools, tool storage, diagnostics, certain equipment and related accessories
Cartec	Safety testing, brake testers, test lane equipment, dynamometers, suspension testers, emission testers and other equipment
CDI	Torque tools
Challenger	Vehicle lifts
Ecotechnics	Vehicle air conditioning service equipment
Fish and Hook	Saw blades, cutting tools, pruning tools, hand tools, power tools and tool storage
Hofmann	Wheel balancers, vehicle lifts, tire changers, wheel aligners, brake testers and test lane equipment
Irimo	Saw blades, cutting tools, hand tools, power tools and tool storage
John Bean	Wheel balancers, vehicle lifts, tire changers, wheel aligners, brake testers and test lane equipment
Lindström	Hand tools
Mitchell1	Repair and service information, shop management systems and business services
Nexiq	Diagnostic tools, information and program distributions for fleet and heavy duty equipment
Pro-Cut	On-car brake lathes, related equipment and accessories
Sandflex	Hacksaw blades, bandsaws, saw blades, hole saws and reciprocating saw blades
ShopKey	Repair and service information, shop management systems and business services
Sioux	Power tools
Sun	Diagnostic tools, wheel balancers, vehicle lifts, tire changers, wheel aligners, air conditioning products and emission testers
Williams	Hand tools, tool storage, certain equipment and related accessories

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Financial Services

Snap-on also generates revenue from various financing programs that include: (i) installment sales and lease contracts arising from franchisees customers and Snap-on's industrial and other customers for the purchase or lease of tools, including tool storage, and diagnostic and equipment products on an extended-term payment plan; and (ii) business loans and vehicle leases to franchisees. The decision to finance through Snap-on or another financing entity is solely at the customer's election. When assessing customers for potential financing, Snap-on considers various factors including financial condition, collateral, debt-servicing ability, past payment experience, credit bureau information and proprietary credit models.

Snap-on offers financing through SOC and the company's international finance subsidiaries in those markets where Snap-on has franchise operations. Financing revenue from contract originations is recognized over the life of the contracts, with interest computed primarily on the average daily balances of the underlying contracts.

Sales and Distribution

Snap-on markets and distributes its products and related services principally to professional tool and equipment users around the world. The two largest market sectors are the vehicle service and repair sector and the industrial sector.

Vehicle Service and Repair Sector

The vehicle service and repair sector has three main customer groups: (i) professional technicians who purchase tools and diagnostic and equipment products for themselves; (ii) other professional customers related to vehicle repair, including owners and managers of independent repair shops and OEM dealerships who purchase tools and diagnostic and equipment products for use by multiple technicians within a service or repair facility; and (iii) OEMs.

Snap-on provides innovative tool, equipment and business solutions, as well as technical sales support and training, designed to meet technicians evolving needs. Snap-on's mobile tool distribution system offers technicians the convenience of purchasing quality tools at their place of business with minimal disruption of their work routine. Snap-on also provides owners and managers of repair shops, where technicians work, with tools, diagnostic equipment, and repair and service information, including electronic parts catalogs and shop management products. Snap-on's OEM facilitation business provides OEMs with products and services including tools, consulting and facilitation services, which include product procurement, distribution and administrative support to customers for their dealership equipment programs.

The vehicle service and repair sector is characterized by an increasing rate of technological change within motor vehicles, vehicle population growth and increasing vehicle life, and the resulting effects of these changes on the businesses of both our suppliers and customers. Snap-on believes it is a meaningful participant in the vehicle service and repair market sector.

Industrial Sector

Snap-on markets its products and services globally to a broad cross-section of commercial and industrial customers, including maintenance and repair operations; manufacturing and assembly facilities; various government agencies, facilities and operations, including military operations; vocational and technical schools; aviation and aerospace operations; OEM and service and repair customers; oil and gas developers; mining operations; energy and power generation, equipment fabricators and operators; railroad manufacturing and maintenance; customers in agriculture; infrastructure construction companies; and other customers that require instrumentation, service tools and/or equipment for their product and business needs.

The industrial sector for Snap-on focuses on providing value-added products and services to an increasingly expanding global base of customers in critical industries. Through its experienced and dispersed sales organization, industrial solutioneers develop unique and highly valued productivity solutions for customers worldwide that leverage Snap-on's product, service and development capabilities.

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The industrial sector is characterized by a highly competitive, cost-conscious environment, and a trend toward customers making many of their tool and equipment purchases through one integrated supplier. Snap-on believes it is a meaningful participant in the industrial tools and equipment market sector.

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Distribution Channels

Snap-on serves customers primarily through the following channels of distribution: (i) the mobile van channel; (ii) company direct sales; (iii) distributors; and (iv) e-commerce. The following discussion summarizes Snap-on's general approach for each channel, and is not intended to be all-inclusive.

Mobile Van Channel

In the United States, a significant portion of sales to the vehicle service and repair sector is conducted through Snap-on's mobile franchise van channel. Snap-on's franchisees primarily serve vehicle repair technicians and vehicle service shop owners, generally providing weekly contact at the customer's place of business. Franchisees' sales are concentrated in hand and power tools, tool storage products, shop equipment, and diagnostic and repair information products, which can easily be transported in a van or trailer and demonstrated during a brief sales call. Franchisees purchase Snap-on's products at a discount from suggested list prices and resell them at prices established by the franchisee. U.S. franchisees are provided a list of calls that serves as the basis of the franchisee's sales route. Snap-on's franchisees also have the opportunity to add a limited number of additional franchises.

Snap-on charges nominal initial and ongoing monthly franchise fees. Franchise fee revenue, including nominal, non-refundable initial and ongoing monthly fees (primarily for sales and business training, and marketing and product promotion programs), is recognized as the fees are earned. Franchise fee revenue totaled \$12.7 million, \$12.1 million and \$11.9 million in fiscal 2015, 2014 and 2013, respectively.

Snap-on also has a company-owned route program that is designed to: (i) provide another pool of potential field organization personnel; (ii) service customers in select new and/or open routes not currently serviced by franchisees; and (iii) allow Snap-on to pilot new sales and promotional ideas prior to introducing them to franchisees. As of 2015 year end, company-owned routes comprised approximately 3% of the total route population; Snap-on may elect to increase or reduce the number of company-owned routes in the future.

In addition to its mobile van channel in the United States, Snap-on has replicated its U.S. franchise distribution model in certain other countries including the United Kingdom, Canada, Japan, Australia, Germany, the Netherlands, South Africa, New Zealand, Belgium and Ireland. In many of these markets, as in the United States, purchase decisions are generally made or influenced by professional vehicle service technicians as well as repair shop owners and managers. As of 2015 year end, Snap-on's worldwide route count was approximately 4,800, including approximately 3,500 routes in the United States.

Through SOC, financing is available to U.S. franchisees, including financing for van leases, working capital loans and loans to help enable new franchisees to fund the purchase of the franchise. In many international markets, Snap-on offers a variety of financing options to its franchisees and/or customer networks through its international finance subsidiaries. The decision to finance through Snap-on or another financing entity is solely at the customer's election.

Snap-on supports its franchisees with a field organization of regional offices, franchise performance teams, customer care centers and distribution centers. Snap-on also provides sales and business training, and marketing and product promotion programs, as well as customer and franchisee financing programs through SOC and the company's international finance subsidiaries, all of which are designed to strengthen franchisee sales. National Franchise Advisory Councils in the United States, the United Kingdom, Canada and Australia, composed primarily of franchisees that are elected by franchisees, assist Snap-on in identifying and implementing enhancements to the franchise program.

Company Direct Sales

A significant proportion of shop equipment sales in North America under the John Bean, Hofmann, Blackhawk, Challenger and Pro-Cut brands, diagnostic products under the Snap-on brand and information products under the Mitchell1 brand are made by direct and independent sales forces that have responsibility for national and other accounts. As the vehicle service and repair sector consolidates (with more business conducted by national chains and franchised service centers), Snap-on believes these larger organizations can be serviced most effectively by sales people who can demonstrate and sell the full line of diagnostic and equipment products and services. Snap-on also sells these products and

services directly to OEMs and their franchised dealers.

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Snap-on brand tools and equipment are marketed to industrial and governmental customers in the United States through both industrial sales representatives, who are employees, and independent industrial distributors. Outside of the United States, industrial sales are also conducted through other independent distributors. Sales representatives focus on industrial customers whose main purchase criteria are quality and integrated solutions. As of 2015 year end, Snap-on had industrial sales representatives in the United States, Australia, Canada, Japan, Mexico, Puerto Rico and various European, Asian, Latin American, Middle Eastern and African countries, with the United States representing the majority of Snap-on's total industrial sales.

Snap-on also sells software, services and solutions to the automotive, commercial, heavy duty, agriculture, power equipment and power sports segments. Products and services are marketed to targeted groups, including OEMs and their dealerships, fleets and individual repair shops. To effectively reach OEMs, which frequently have a multi-national presence, Snap-on has deployed focused business teams globally.

Distributors

Sales of certain tools and equipment are made through independent distributors who purchase the items from Snap-on and resell them to end users. Hand tools sold under the BAHCO, Fish and Hook, Irimo, Lindström and Williams brands and trade names, for example, are sold through distributors in Europe, North and South America, Asia and certain other parts of the world. Wheel service and other vehicle service equipment are sold through distributors primarily under brands including Hofmann, John Bean, Challenger, Pro-Cut, Cartec, Blackhawk and Ecotechnics. Diagnostic and equipment products are marketed through distributors in South America and Asia, and through both a direct sales force and distributors in Europe under the Snap-on, Sun, BAHCO and Blue-Point brands.

E-commerce

Snap-on offers current and prospective customers online access to research and purchase products through its public website at www.snapon.com. The site features an online catalog of Snap-on hand tools, power tools, tool storage units and diagnostic equipment available to customers in the United States, the United Kingdom, Canada and Australia. E-commerce and certain other system enhancement initiatives are designed to improve productivity and further leverage the one-on-one relationships and service Snap-on has with its current and prospective customers. Sales through the company's e-commerce distribution channel were not significant in any of the last three years.

Competition

Snap-on competes on the basis of its product quality and performance, product line breadth and depth, service, brand awareness and imagery, technological innovation and availability of financing (through SOC or its international finance subsidiaries). While Snap-on does not believe that any single company competes with it across all of its product lines and distribution channels, various companies compete in one or more product categories and/or distribution channels.

Snap-on believes it is a leading manufacturer and distributor of professional tools, tool storage, diagnostic and equipment products, and repair software and solutions, offering a broad line of these products to both vehicle service and industrial marketplaces. Various competitors target and sell to professional technicians in the vehicle service and repair sector through the mobile tool distribution channel; Snap-on also competes with companies that sell tools and equipment to vehicle service and repair technicians online and through retail stores, vehicle parts supply outlets and tool supply warehouses/distributorships. Within the power tools category and the industrial sector, Snap-on has various other competitors, including companies with offerings that overlap with other areas discussed herein. Major competitors selling diagnostics, shop equipment and information to vehicle dealerships and independent repair shops include OEMs and their proprietary electronic parts catalogs and diagnostics and information systems, and other companies that offer products serving this sector.

Raw Materials and Purchased Product

Snap-on's supply of raw materials and purchased components are generally and readily available from numerous suppliers. Snap-on believes it has secured an ample supply of both bar and coil steel for the near future to ensure stable supply to meet material demands. The company does not currently anticipate experiencing any significant impact in 2016 from steel pricing or availability issues.

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Patents, Trademarks and Other Intellectual Property

Snap-on vigorously pursues and relies on patent protection to protect its intellectual property and position in its markets. As of 2015 year end, Snap-on and its subsidiaries held approximately 700 active and pending patents in the United States and approximately 1,550 active and pending patents outside of the United States. Sales relating to any single patent did not represent a material portion of Snap-on's revenues in any of the last three years.

Examples of products that have features or designs that benefit from patent protection include wheel alignment systems, wheel balancers, tire changers, vehicle lifts, tool storage, tool control, test lanes, brake lathes, sealed ratchets, electronic torque instruments, ratcheting screwdrivers, emissions-sensing devices and diagnostic equipment.

Much of the technology used in the manufacture of vehicle service tools and equipment is in the public domain. Snap-on relies primarily on trade secret protection to protect proprietary processes used in manufacturing. Methods and processes are patented when appropriate. Copyright protection is also utilized when appropriate.

Trademarks used by Snap-on are of continuing importance to Snap-on in the marketplace. Trademarks have been registered in the United States and more than 120 other countries, and additional applications for trademark registrations are pending. Snap-on vigorously polices proper use of its trademarks. Snap-on's right to manufacture and sell certain products is dependent upon licenses from others; however, these products under license do not represent a material portion of Snap-on's net sales.

Domain names have become a valuable corporate asset for companies around the world, including Snap-on. Domain names often contain a trademark or service mark or even a corporate name and are often considered intellectual property. The recognition and value of the Snap-on name, trademark and domain name are core strengths of the company.

Snap-on strategically licenses the Snap-on brand to carefully selected manufacturing and distribution companies for items such as apparel, work boots, lighting and a variety of other goods, in order to further build equity and market presence for the company's strongest brand.

Environmental

Snap-on is subject to various environmental laws, ordinances, regulations, and other requirements of government authorities in the United States and other nations. At Snap-on, these environmental liabilities are managed through the Snap-on Environmental, Health and Safety Management System (EH & SMS), which is applied worldwide. The system is based upon continual improvement and is certified to ISO 14001:2004 and OHSAS 18001:2007, verified through Det Norske Veritas (DNV) Certification, Inc.

Snap-on believes that it complies with applicable environmental control requirements in its operations. Expenditures on environmental matters through EH & SMS have not had, and Snap-on does not for the foreseeable future expect them to have, a material effect upon Snap-on's capital expenditures, earnings or competitive position.

Employees

Snap-on employed approximately 11,500 people at the end of January 2016; Snap-on employed approximately 11,400 people at the end of January 2015.

Approximately 2,600 employees, or 23% of Snap-on's worldwide workforce, are represented by unions and/or covered under collective bargaining agreements. The number of covered union employees whose contracts expire over the next five years approximates 1,400 employees in 2016, 700 employees in 2017, and 500 employees in 2018; there are no contracts currently scheduled to expire in 2019 or 2020. In recent years, Snap-on has not experienced any significant work slowdowns, stoppages or other labor disruptions.

There can be no assurance that these and other future contracts with Snap-on's unions will be renegotiated upon terms acceptable to Snap-on.

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Working Capital

Most of Snap-on's businesses are not seasonal and their inventory needs are relatively constant. Snap-on did not have a significant backlog of orders at 2015 year end. In recent years, Snap-on has been using its working capital to fund, in part, the continued growth of the company's financial services portfolio.

Snap-on's liquidity and capital resources and use of working capital are discussed herein in Part II, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations.

As of 2015 year end, neither Snap-on nor any of its segments depend on any single customer, small group of customers or government for any material part of its revenues.

Item 1A: Risk Factors

In evaluating the company, careful consideration should be given to the following risk factors, in addition to the other information included in this Annual Report on Form 10-K, including the Consolidated Financial Statements and the related notes. Each of these risk factors could adversely affect the company's business, operating results, cash flows and/or financial condition, as well as adversely affect the value of an investment in the company's common stock.

Economic conditions and world events could affect our operating results.

We, our franchisees and our customers, may be adversely affected by changing economic conditions, including conditions that may particularly impact specific regions. These conditions may result in reduced consumer and investor confidence, instability in the credit and financial markets, volatile corporate profits, and reduced business and consumer spending. We, our franchisees and our customers, and the economy as a whole, also may be affected by future world or local events outside our control, such as acts of terrorism, developments in the war on terrorism, conflicts in international situations and natural disasters, as well as government-related developments or issues. These factors may affect our results of operations by reducing our sales, margins and/or net earnings as a result of a slowdown in customer orders or order cancellations, impact the availability of raw materials and/or the supply chain, and could potentially lead to future impairment of our intangible assets. In addition, political and social turmoil related to international conflicts and terrorist acts may put pressure on economic conditions abroad. Unstable political, social and economic conditions may make it difficult for our franchisees, customers, suppliers and us to accurately forecast and plan future business activities. If such conditions persist, our business, financial condition, results of operations and cash flows could be negatively affected.

Raw material and energy price fluctuations and shortages (including steel and various fuel sources) could adversely affect the ability to obtain needed manufacturing materials and could adversely affect our results of operations.

The principal raw material used in the manufacture of our products is steel, which we purchase in competitive, price-sensitive markets. To meet Snap-on's high quality standards, our steel needs range from specialized alloys, which are available only from a limited group of approved suppliers, to commodity types of alloys. These raw materials have historically exhibited price and demand cyclicalities. Some of these materials have been, and in the future may be, in short supply, particularly in the event of mill shutdowns or production cut backs. As some steel alloys require specialized manufacturing procedures, we could experience inventory shortages if we were required to use an alternative manufacturer on short notice. Additionally, unexpected price increases for raw materials could result in higher prices to our customers or an erosion of the margins on our products.

We believe our ability to sell our products is also dependent on the number of vehicles on the road, the number of miles driven and the general aging of vehicles. These factors affect the frequency, type and amount of service and repair performed on vehicles by technicians, and therefore affect the demand for the number of technicians, the prosperity of technicians and, consequently, the demand technicians have for our tools, other products and services, and the value technicians place on those products and services. The use of other methods of transportation, including more frequent use of public transportation, could result in a decrease in the use of privately operated vehicles. A decrease in the use of

privately operated vehicles may lead to fewer repairs and less demand for our products.

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We use various energy sources to transport, produce and distribute products, and some of our products have components that are petroleum based. Petroleum and energy prices have periodically increased significantly over short periods of time; further volatility and changes may be caused by market fluctuations, supply and demand, currency fluctuation, production and transportation disruption, world events and changes in governmental programs. Energy price increases raise both our operating costs and the costs of our materials, and we may not be able to increase our prices enough to offset these costs. Higher prices also may reduce the level of future customer orders and our profitability.

The performance of Snap-on's mobile tool distribution business depends on the success of its franchisees.

Approximately 44% of our consolidated revenues in 2015 were generated by the Snap-on Tools Group, which consists of Snap-on's business operations primarily serving vehicle service and repair technicians through the company's worldwide mobile tool distribution channel. Snap-on's success is dependent on its relationships with franchisees, individually and collectively, as they are the primary sales and service link between the company and vehicle service and repair technicians, who are an important class of end users for Snap-on's products and services. If our franchisees are not successful, or if we do not maintain an effective relationship with our franchisees, the delivery of products, the collection of receivables and/or our relationship with end users could be adversely affected and thereby negatively impact our business, financial condition, results of operations and cash flows.

In addition, if we are unable to maintain effective relationships with franchisees, Snap-on or the franchisees may choose to terminate the relationship, which may result in (i) open routes, in which end-user customers are not provided reliable service; (ii) litigation resulting from termination; (iii) reduced collections or increased write-offs of franchisee receivables owed to Snap-on; and/or (iv) reduced collections or increased write-offs of finance and contract receivables.

New and stricter legislation and regulations may affect our business, reputation, results of operations and financial condition.

Increased legislative and regulatory activity and compliance burdens, including those associated with sales to our government, military and defense contractor customers, as well as a more stringent manner in which they are applied, could significantly impact our business and the economy as a whole. For example, the Affordable Care Act (the "ACA"), which continues to be phased in, significantly affects the provision of both health care services and benefits in the United States; the ACA may impact our cost of providing our employees and retirees with health insurance and/or benefits, and may also impact various other aspects of our business. The ACA did not have a material impact on our fiscal 2015, 2014 or 2013 financial results; however, we are continuing to assess the impact of the ACA on our health care benefit costs.

Financial services businesses of all kinds are subject to increasing regulation and enforcement. In addition to potentially increasing the costs of doing business due to compliance obligations, new laws and regulations, or changes to existing laws and regulations, as well as the enforcement thereof, may affect the relationships between creditors and debtors, inhibit the rights of creditors to collect amounts owed to them, expand liability for certain actions or inactions, or limit the types of financial products or services offered, any or all of which could have a material adverse effect on our financial condition, results of operations and cash flows. Failure to comply with any of these laws or regulations could also result in penalties and damage to our reputation, and/or the incurrence of remediation costs.

These developments, and other potential future legislation and regulations, as well as the increasingly strict regulatory environment, including the growing international regulation of privacy rights, may also adversely affect the customers to which, and the markets into which, we sell our products, and increase our costs and otherwise negatively affect our business, reputation, results of operations and financial condition, including in ways that cannot yet be foreseen.

Exposure to credit risks of customers and resellers may make it difficult to collect receivables and could adversely affect operating results and financial condition.

A decline in industry and/or economic conditions could have the potential to weaken the financial position of some of our customers. If circumstances surrounding our customers' ability to repay their credit obligations were to deteriorate and result in the write-down or write-off of such receivables, it would negatively affect our operating results for the period in which they occur and, if large, could have a material adverse effect on our business, financial condition, results of operations and cash flows.

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Our inability to provide acceptable financing alternatives to end-user customers and franchisees could adversely impact our operating results.

An integral component of our business and profitability is our ability to offer competitive financing alternatives to end-user customers and franchisees. The lack of our ability to offer such alternatives or obtain capital resources or other financing to support our receivables on terms that we believe are attractive, whether resulting from the state of the financial markets, our own operating performance, or other factors, would negatively affect our operating results and financial condition. Adverse fluctuations in interest rates and/or our ability to provide competitive financing programs could also have an adverse impact on our revenue and profitability.

Failure to achieve expected investment returns on pension plan assets, as well as changes in interest rates or plan demographics, could adversely impact our results of operations, financial condition and cash flows.

Snap-on sponsors various defined benefit pension plans (the "pension plans"). The assets of the pension plans are broadly diversified in an attempt to mitigate the risk of a large loss. The assets are invested in equity securities, debt securities, hedge funds, real estate and other real assets, insurance contracts, and cash and cash equivalents. Required funding for the company's domestic defined benefit pension plans is determined in accordance with guidelines set forth in the federal Employee Retirement Income Security Act ("ERISA"); foreign defined benefit pension plans are funded in accordance with local statutes or practice. Additional contributions to enhance the funded status of the pension plans can be made at the company's discretion. However, there can be no assurance that the value of the pension plan assets, or the investment returns on those plan assets, will be sufficient to meet the future benefit obligations of such plans. In addition, during periods of adverse investment market conditions and declining interest rates, the company may be required to make additional cash contributions to the pension plans that could reduce our financial flexibility. Changes in plan demographics, including an increase in the number of retirements or changes in life expectancy assumptions, may also increase the costs and funding requirements of the obligations related to the company's pension plans.

Our pension plan obligations are affected by changes in market interest rates. Significant fluctuations in market interest rates have added, and may further add, volatility to our pension plan obligations. In periods of declining market interest rates, our pension plan obligations generally increase; in periods of increasing market interest rates, our pension plan obligations generally decrease. While our plan assets are broadly diversified, there are inherent market risks associated with investments; if adverse market conditions occur, our plan assets could incur significant or material losses. Since we may need to make additional contributions to address changes in obligations and/or a loss in plan assets, the combination of declining market interest rates, past or future plan asset investment losses, and/or changes in plan demographics could adversely impact our results of operations, financial condition and cash flows.

The company's pension plan expense is comprised of the following factors: (i) service cost; (ii) interest on projected benefit obligations; (iii) the expected return on plan assets; (iv) the amortization of prior service costs and credits; (v) the effects of actuarial gains and losses; and (vi) settlement/curtailment costs, when applicable. The accounting for pensions involves the estimation of a number of factors that are highly uncertain. Certain factors, such as the interest on projected benefit obligations and the expected return on pension plan assets, are impacted by changes in market interest rates and the value of plan assets. A significant decrease in market interest rates and a decrease in the fair value of pension plan assets would increase net pension expense and may adversely affect the company's future results of operations. See Note 11 to the Consolidated Financial Statements for further information on the company's pension plans.

Adverse developments in the credit and financial markets could negatively impact the availability of credit that we and our customers need to operate our businesses.

We depend upon the availability of credit to operate our business, including the financing of receivables from end-user customers that are originated by our financial services businesses. Our end-user customers, franchisees and suppliers also require access to credit for their businesses. At times in recent years, world financial markets have been unstable and subject to uncertainty. Adverse developments in the credit and financial markets, or unfavorable changes in Snap-on's credit rating, could negatively impact the availability of future financing and the terms on which it might be available to Snap-on, its end-user customers, franchisees and suppliers. Inability to access credit or capital markets, or a deterioration in the terms on which financing might be available, could have an adverse impact on our business, financial condition, results of operations and cash flows.

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Increasing our financial leverage could affect our operations and profitability.

The maximum available credit under our multi-currency revolving credit facility is \$700 million. The company's leverage ratio may affect both our availability of additional capital resources as well as our operations in several ways, including:

The terms on which credit may be available to us could be less attractive, both in the economic terms of the credit and the covenants stipulated by the credit terms;

The possible lack of availability of additional credit;

The potential for higher levels of interest expense to service or maintain our outstanding debt;

The possibility of additional borrowings in the future to repay our indebtedness when it comes due; and

The possible diversion of capital resources from other uses.

While we believe we will have the ability to service our debt and obtain additional resources in the future if and when needed, that will depend upon our results of operations and financial position at the time, the then-current state of the credit and financial markets, and other factors that may be beyond our control. Therefore, we cannot give assurances that credit will be available on terms that we consider attractive, or at all, if and when necessary or beneficial to us.

Data security and information technology infrastructure and security are critical to supporting business objectives; failure of our systems to operate effectively could adversely affect our business and reputation.

We depend heavily on information technology infrastructure to achieve our business objectives and to protect sensitive information, and continually invest in improving such systems. Problems that impair or compromise this infrastructure, including due to natural disasters, power outages, major network failures, security breaches or malicious attacks, or during system upgrades and/or new system implementations, could impede our ability to record or process orders, manufacture and ship in a timely manner, account for and collect receivables, protect sensitive data of the company, our customers, our suppliers and business partners, or otherwise carry on business in the normal course. Any such events, if significant, could cause us to lose customers and/or revenue and could require us to incur significant expense to remediate, including as a result of legal or regulatory claims or proceedings, and could also damage our reputation. While we have taken steps to maintain adequate data security and address these risks and uncertainties by implementing security technologies, internal controls, network and data center resiliency, and redundancy and recovery processes, as well as by securing insurance, these measures may be inadequate.

In association with initiatives to better integrate business units, rationalize operating footprint and improve responsiveness to franchisees and customers, Snap-on is continually replacing and enhancing its global Enterprise Resource Planning (ERP) management information systems. As we integrate, implement and deploy new information technology processes and a common information infrastructure across our global operations, we could experience disruptions in our business that could have an adverse effect on our business, financial condition, results of operations and cash flows.

Failure to maintain effective distribution of products and services could adversely impact revenue, gross margin and profitability.

We use a variety of distribution methods to sell our products and services. Successfully managing the interaction of our distribution efforts to reach various potential customer segments for our products and services is a complex process. Moreover, since each distribution method has distinct risks, costs and gross margins, our failure to implement the most advantageous balance in the delivery model for our products and services could adversely affect our revenue and gross margins and therefore our profitability.

Risks associated with the disruption of manufacturing operations could adversely affect profitability or competitive position.

We manufacture a significant portion of the products we sell. Any prolonged disruption in the operations of our existing manufacturing facilities, whether due to technical or labor difficulties, facility consolidation or closure actions, lack of raw material or component availability, destruction of or damage to any facility (as a result of natural disasters, use and storage of hazardous materials or other events), or other reasons, could have

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a material adverse effect on our business, financial condition, results of operations and cash flows.

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The inability to continue to introduce new products that respond to customer needs and achieve market acceptance could result in lower revenues and reduced profitability.

Sales from new products represent a significant portion of our net sales and are expected to continue to represent a significant component of our future net sales. We may not be able to compete effectively unless we continue to enhance existing products or introduce new products to the marketplace in a timely manner. Product improvements and new product introductions require significant financial and other resources, including significant planning, design, development, and testing at the technological, product and manufacturing process levels. Our competitors new products may beat our products to market, be more effective with more features, be less expensive than our products, and/or render our products obsolete. Any new products that we develop may not receive market acceptance or otherwise generate any meaningful net sales or profits for us relative to our expectations based on, among other things, existing and anticipated investments in manufacturing capacity and commitments to fund advertising, marketing, promotional programs and research and development.

The global tool, equipment, and diagnostics and repair information industries are competitive.

We face strong competition in all of our market segments. Price competition in our various industries is intense and pricing pressures from competitors and customers are increasing. In general, as a manufacturer and marketer of premium products and services, the expectations of Snap-on's customers and its franchisees are high and continue to increase. Any inability to maintain customer satisfaction could diminish Snap-on's premium image and reputation and could result in a lessening of our ability to command premium pricing. We expect that the level of competition will remain high in the future, which could limit our ability to maintain or increase market share or profitability.

Product liability claims and litigation could affect our business, reputation, financial condition, results of operations and cash flows.

The products that we design and/or manufacture, and/or the services we provide, can lead to product liability claims or other legal claims being filed against us. To the extent that plaintiffs are successful in showing that a defect in a product's design, manufacture or warnings led to personal injury or property damage, or that our provision of services resulted in similar injury or damage, we may be subject to claims for damages. Although we are insured for damages above a certain amount, we bear the costs and expenses associated with defending claims, including frivolous lawsuits, and are responsible for damages below the insurance retention amount. In addition to claims concerning individual products, as a manufacturer, we can be subject to costs, potential negative publicity and lawsuits related to product recalls, which could adversely impact our results and damage our reputation.

Legal disputes could adversely affect our business, reputation, financial condition, results of operations and cash flows.

From time to time we are subject to legal disputes that are being litigated and/or settled in the ordinary course of business. Disputes or future lawsuits could result in the diversion of management's time and attention away from business operations. Additionally, negative developments with respect to legal disputes and the costs incurred in defending ourselves could have an adverse impact on the company and its reputation. Adverse outcomes or settlements could also require us to pay damages, potentially in excess of amounts reserved, or incur liability for other remedies that could have a material adverse effect on our business, reputation, financial condition, results of operations and cash flows.

Failure to adequately protect intellectual property could adversely affect our business.

Intellectual property rights are an important and integral component of our business. We attempt to protect our intellectual property rights through a combination of patent, trademark, copyright and trade secret laws, as well as licensing agreements and third-party nondisclosure and assignment agreements. Adverse determinations in a judicial or administrative proceeding could prevent us from manufacturing and selling our products or prevent us from stopping others from manufacturing and selling competing products. Failure to obtain or maintain adequate protection of our intellectual property rights for any reason could have a material adverse effect on our business.

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Foreign operations are subject to political, economic, currency exchange and other risks that could adversely affect our business, financial condition, results of operations and cash flows.

Approximately 31% of our revenues in 2015 were generated outside of the United States. Future growth rates and success of our business depends in large part on continued growth in our non-U.S. operations, including growth in emerging markets and critical industries. Numerous risks and uncertainties affect our non-U.S. operations. These risks and uncertainties include political, economic and social instability, such as acts of war, civil disturbance or acts of terrorism, local labor conditions, changes in government policies and regulations, including imposition or increases in withholding and other taxes on remittances and other payments by international subsidiaries, as well as the exposure to liabilities under anti-corruption laws in various countries, such as the U.S. Foreign Corrupt Practices Act, currency volatility, transportation delays or interruptions, sovereign debt uncertainties and difficulties in enforcement of contract and intellectual property rights, as well as natural disasters. Should the economic environment in our non-U.S. markets deteriorate from current levels, our results of operations and financial position could be materially impacted, including as a result of the effects of potential impairment write-downs of goodwill and/or other intangible assets related to these businesses.

The reporting currency for Snap-on's consolidated financial statements is the U.S. dollar. Certain of the company's assets, liabilities, expenses and revenues are denominated in currencies other than the U.S. dollar. In preparing Snap-on's Consolidated Financial Statements, those assets, liabilities, expenses and revenues are translated into U.S. dollars at applicable exchange rates. Increases or decreases in exchange rates between the U.S. dollar and other currencies affect the U.S. dollar value of those items, as reflected in the Consolidated Financial Statements. Substantial fluctuations in the value of the U.S. dollar could have a significant impact on the company's financial condition and results of operations.

We are also affected by changes in inflation rates and interest rates. Additionally, cash generated in non-U.S. jurisdictions may be difficult to repatriate to the United States in a tax-efficient manner. Our foreign operations are also subject to other risks and challenges, such as the need to staff and manage diverse workforces, respond to the needs of multiple national and international marketplaces, and differing business climates and cultures in various countries.

The recognition of impairment charges on goodwill or other intangible assets would adversely impact our future financial condition and results of operations.

We have a substantial amount of goodwill and purchased intangible assets, almost all of which are booked in the Commercial & Industrial Group and in the Repair Systems & Information Group. We are required to perform impairment tests on our goodwill and other intangibles annually or at any time when events occur that could impact the value of our business segments. Our determination of whether impairment has occurred is based on a comparison of each of our reporting units' fair market value with its carrying value. Significant and unanticipated changes in circumstances, such as significant and long-term adverse changes in business climate, adverse actions by regulators, unanticipated competition, the loss of key customers, and/or changes in technology or markets, could require a provision for impairment in a future period that could substantially impact our reported earnings and reduce our consolidated net worth and shareholders' equity. Should the economic environment in these markets deteriorate, our results of operations and financial position could be materially impacted, including as a result of the effects of potential impairment write-downs of goodwill and/or other intangible assets related to these businesses.

Our operations expose us to the risk of environmental liabilities, costs, litigation and violations that could adversely affect our financial condition, results of operations and reputation.

Certain of our operations are subject to environmental laws and regulations in the jurisdictions in which they operate, which impose limitations on the discharge of pollutants into the ground, air and water and establish standards for the generation, treatment, use, storage and disposal of hazardous wastes. We must also comply with various health and safety regulations in the United States and abroad in connection with our operations. Failure to comply with any of these laws could result in civil and criminal, monetary and non-monetary penalties and damage to our reputation. In addition, we may incur costs related to remedial efforts or alleged environmental damage associated with past or current waste disposal practices. Legislation has been proposed, and governmental regulatory action has been both proposed and taken, that may significantly impact environmental compliance in the United States; these actions could increase our costs of production by raising the cost of energy as well as by further restricting emissions or other processes that we currently use in our operations. We cannot provide assurance that our costs of complying with current or future environmental protection and health and safety laws will not exceed our estimates.

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The inability to successfully defend claims from taxing authorities could adversely affect our financial condition, results of operations and cash flows.

We conduct business in many countries, which requires us to interpret the income tax laws and rulings in each of those taxing jurisdictions. Due to the subjectivity of tax laws between those jurisdictions, as well as the subjectivity of factual interpretations, our estimates of income tax liabilities may differ from actual payments or assessments. Claims from taxing authorities related to these differences could have an adverse impact on our financial condition, results of operations and cash flows.

Failure to attract and retain qualified personnel could lead to a loss of revenue and/or profitability.

Snap-on's success depends, in part, on the efforts and abilities of its senior management team and other key employees. Their skills, experience and industry contacts significantly benefit our operations and administration. The failure to attract and retain members of our senior management team and other key employees could have a negative effect on our operating results. In addition, transitions of important responsibilities to new individuals inherently include the possibility of disruptions to our business and operations, which could negatively affect our business, financial condition, results of operations and cash flows.

The steps taken to restructure operations, rationalize operating footprint, lower operating expenses and achieve greater efficiencies in the supply chain could disrupt business.

We have taken steps in the past, and expect to take additional steps in the future, intended to improve customer service and drive further efficiencies and reduce costs, some of which could be disruptive to our business. These actions, collectively across our operating groups, are focused on the following:

- Continuing to invest in initiatives focused on building a strong sales and operating presence in emerging growth markets;
- Continuing to enhance service and value to our franchisees and customers;
- Continuing to implement efficiency and productivity initiatives throughout the company to drive further efficiencies and reduce costs;
- Continuing on the company's existing path to improve and transform global manufacturing and the supply chain into a market-demand-based replenishment system with lower costs;
- Continuing to invest in developing and marketing new, innovative, higher-value-added products and advanced technologies;
- Extending our products and services into additional and/or adjacent markets or to new customers; and
- Continuing to provide financing for, and grow our portfolio of, receivables within our financial services businesses.

A failure to succeed in the implementation of any or all of these actions could result in an inability to achieve our financial goals and could be disruptive to the business.

In addition, any future reductions to headcount and other cost reduction measures may result in the loss of technical expertise and could adversely affect our research and development efforts as well as our ability to meet product development schedules. Efforts to reduce components of expense could result in the recording of charges for inventory and technology-related write-offs, workforce reduction costs or other charges relating to the consolidation or closure of facilities. If we were to incur a substantial charge to further these efforts, our earnings per share would be adversely affected in such period. If we are unable to effectively manage our cost reduction and restructuring efforts, our business, financial condition, results of operations and cash flows could be negatively affected.

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We may not successfully integrate businesses we acquire, which could have an adverse impact on our business, financial condition, results of operations and cash flows.

The pursuit of growth through acquisitions, including participation in joint ventures, involves significant risks that could have a material adverse effect on our business, financial condition, results of operations and cash flows. These risks include:

- Loss of the acquired businesses' customers;
- Inability to integrate successfully the acquired businesses' operations;
- Inability to coordinate management and integrate and retain employees of the acquired businesses;
- Difficulties in implementing and maintaining consistent standards, controls, procedures, policies and information systems;
- Failure to realize anticipated synergies, economies of scale or other anticipated benefits, or to maintain operating margins;
- Strain on our personnel, systems and resources, and diversion of attention from other priorities;
- Incurrence of additional debt and related interest expense;
- The dilutive effect of the issuance of additional equity securities;
- Unforeseen or contingent liabilities of the acquired businesses; and
- Large write-offs or write-downs, or the impairment of goodwill or other intangible assets.

Item 1B: Unresolved Staff Comments

None.

Item 2: Properties

Snap-on maintains leased and owned manufacturing (including software products), warehouse, distribution, research and development and office facilities throughout the world. Snap-on believes that its facilities currently in use are suitable and have adequate capacity to meet its present and foreseeable future demand. Snap-on's facilities in the United States occupy approximately 3.3 million square feet, of which 72% is owned, including its corporate and general office facility located in Kenosha, Wisconsin. Snap-on's facilities outside the United States occupy approximately 3.9 million square feet, of which approximately 74% is owned. Certain Snap-on facilities are leased through operating and capital lease agreements. See Note 15 to the Consolidated Financial Statements for information on the company's operating and capital leases. Snap-on management continually monitors the company's capacity needs and makes adjustments as dictated by market and other conditions.

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The following table provides information about our corporate headquarters and financial services operations, and each of Snap-on's principal active manufacturing locations and distribution centers (exceeding 50,000 square feet) as of 2015 year end:

Location	Principal Property Use	Owned/Leased	Segment*
<i>U.S. Locations:</i>			
Elkmont, Alabama	Manufacturing	Owned	SOT
Conway, Arkansas	Manufacturing	Owned	RS&I
City of Industry, California	Manufacturing	Leased	C&I
Poway, California	Manufacturing and distribution	Leased	RS&I
San Jose, California	Manufacturing and distribution	Leased	RS&I
Columbus, Georgia	Distribution	Owned	C&I
Crystal Lake, Illinois	Distribution	Owned and leased	SOT
Libertyville, Illinois	Financial services	Leased	FS
Algona, Iowa	Manufacturing and distribution	Owned	SOT
Louisville, Kentucky	Manufacturing and distribution	Leased	RS&I
Olive Branch, Mississippi	Distribution	Owned	SOT
Carson City, Nevada	Distribution	Owned and leased	SOT
Murphy, North Carolina	Manufacturing and distribution	Owned	C&I
Richfield, Ohio	Manufacturing and distribution	Owned	RS&I
Robesonia, Pennsylvania	Distribution	Owned	SOT
Elizabethton, Tennessee	Manufacturing	Owned	SOT
Kenosha, Wisconsin	Distribution and corporate	Owned	SOT, C&I, RS&I
Milwaukee, Wisconsin	Manufacturing	Owned	SOT
<i>Non-U.S. Locations:</i>			
Santo Tome, Argentina	Manufacturing	Owned	C&I
New South Wales, Australia	Distribution and financial services	Leased	SOT, FS
Minsk, Belarus	Manufacturing	Owned	C&I
Santa Bárbara d Oeste, Brazil	Manufacturing and distribution	Owned	RS&I
Calgary, Canada	Distribution	Leased	SOT
Mississauga, Canada	Manufacturing and distribution	Leased	SOT, RS&I
Kunshan, China	Manufacturing	Owned	C&I
Xiaoshan, China	Manufacturing	Owned	C&I
Bramley, England	Manufacturing	Owned	C&I
Kettering, England	Distribution and financial services	Owned	SOT, C&I, FS
Sopron, Hungary	Manufacturing	Owned	RS&I
Correggio, Italy	Manufacturing	Owned	RS&I
Tokyo, Japan	Distribution	Leased	C&I
Helmond, the Netherlands	Distribution	Owned	C&I
Vila do Conde, Portugal	Manufacturing	Owned	C&I
Irun, Spain	Manufacturing	Owned	C&I
Placencia, Spain	Manufacturing	Owned	C&I
Vitoria, Spain	Manufacturing and distribution	Owned	C&I
Bollnäs, Sweden	Manufacturing	Owned	C&I
Edsbyn, Sweden	Manufacturing	Owned	C&I
Lidköping, Sweden	Manufacturing	Owned	C&I

* Segment abbreviations:

C&I Commercial & Industrial Group

SOT Snap-on Tools Group

RS&I Repair Systems & Information Group

FS Financial Services

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Snap-on is involved in various legal matters that are being litigated and/or settled in the ordinary course of business. Although it is not possible to predict the outcome of these legal matters, management believes that the results of these legal matters will not have a material impact on Snap-on's consolidated financial position, results of operations or cash flows.

Item 4: Mine Safety Disclosures

Not applicable.

PART II**Item 5: Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities**

Snap-on had 58,086,046 shares of common stock outstanding as of 2015 year end. Snap-on's stock is listed on the New York Stock Exchange under the ticker symbol SNA. At February 5, 2016, there were 5,206 registered holders of Snap-on common stock.

The high and low closing prices of Snap-on's common stock during each fiscal quarter for the last two years were as follows:

Quarter	Common Stock High/Low Prices			
	2015		2014	
	High	Low	High	Low
First	\$ 148.29	\$ 131.45	\$ 114.18	\$ 97.23
Second	162.19	146.16	119.46	109.36
Third	169.99	148.90	127.01	117.84
Fourth	174.09	154.57	139.35	113.28

Snap-on has paid consecutive quarterly cash dividends, without interruption or reduction, since 1939. Quarterly dividends in 2015 were \$0.61 per share in the fourth quarter and \$0.53 per share in each of the first three quarters (\$2.20 per share for the year). Quarterly dividends in 2014 were \$0.53 per share in the fourth quarter and \$0.44 per share in each of the first three quarters (\$1.85 per share for the year). Quarterly dividends in 2013 were \$0.44 per share in the fourth quarter and \$0.38 per share in each of the first three quarters (\$1.58 per share for the year). Cash dividends paid in 2015, 2014 and 2013 totaled \$127.9 million, \$107.6 million and \$92.0 million, respectively. Snap-on's Board of Directors (the Board) monitors and evaluates the company's dividend practice quarterly and the Board may elect to increase, decrease or not pay a dividend on Snap-on common stock based upon the company's financial condition, results of operations, cash requirements and future prospects of Snap-on and other factors deemed relevant by the Board.

See Note 13 to the Consolidated Financial Statements for information on securities authorized for issuance under equity compensation plans.

Table of Contents**Issuer Purchases of Equity Securities**

The following chart discloses information regarding the shares of Snap-on's common stock repurchased by the company during the fourth quarter of fiscal 2015, all of which were purchased pursuant to the Board's authorizations that the company has publicly announced. Snap-on has undertaken stock repurchases from time to time to offset dilution created by shares issued for employee and franchisee stock purchase plans, stock options and other corporate purposes, as well as to repurchase shares when the company believes market conditions are favorable. The repurchase of Snap-on common stock is at the company's discretion, subject to prevailing financial and market conditions.

Period	Shares purchased	Average price per share	Shares purchased as part of publicly announced plans or programs	Approximate value of shares that may yet be purchased under publicly announced plans or programs*
10/04/15 to 10/31/15	5,000	\$ 164.56	5,000	\$ 224.9 million
11/01/15 to 11/28/15	48,000	\$ 167.42	48,000	\$ 222.0 million
11/29/15 to 01/02/16				\$ 230.6 million
Total/Average	53,000	\$ 167.15	53,000	N/A

N/A: Not applicable

*Subject to further adjustment pursuant to the 1996 Authorization described below, as of January 2, 2016, the approximate value of shares that may yet be purchased pursuant to the three outstanding Board authorizations discussed below is \$230.6 million.

In 1996, the Board authorized the company to repurchase shares of the company's common stock from time to time in the open market or in privately negotiated transactions (the 1996 Authorization). The 1996 Authorization allows the repurchase of up to the number of shares issued or delivered from treasury from time to time under the various plans the company has in place that call for the issuance of the company's common stock. Because the number of shares that are purchased pursuant to the 1996 Authorization will change from time to time as (i) the company issues shares under its various plans; and (ii) shares are repurchased pursuant to this authorization, the number of shares authorized to be repurchased will vary from time to time. The 1996 Authorization will expire when terminated by the Board. When calculating the approximate value of shares that the company may yet purchase under the 1996 Authorization, the company assumed a price of \$165.89, \$171.76 and \$171.43 per share of common stock as of the end of the fiscal 2015 months ended October 31, 2015, November 28, 2015, and January 2, 2016, respectively.

In 1998, the Board authorized the repurchase of an aggregate of \$100 million of the company's common stock (the 1998 Authorization). The 1998 Authorization will expire when the aggregate repurchase price limit is met, unless terminated earlier by the Board.

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In 1999, the Board authorized the repurchase of an aggregate of \$50 million of the company's common stock (the 1999 Authorization). The 1999 Authorization will expire when the aggregate repurchase price limit is met, unless terminated earlier by the Board.

Table of Contents**Other Purchases or Sales of Equity Securities**

The following chart discloses information regarding shares of Snap-on's common stock that were sold by Citibank, N.A. (Citibank) during the fourth quarter of 2015 pursuant to a prepaid equity forward agreement (the Agreement) with Citibank that is intended to reduce the impact of market risk associated with the stock-based portion of the company's deferred compensation plans. The company's stock-based deferred compensation liabilities, which are impacted by changes in the company's stock price, increase as the company's stock price rises and decrease as the company's stock price declines. Pursuant to the Agreement, Citibank may purchase or sell shares of the company's common stock (for Citibank's account) in the market or in privately negotiated transactions. The Agreement has no stated expiration date and does not provide for Snap-on to purchase or repurchase its shares.

Citibank Sales of Snap-on Stock

Period	Shares sold	Average price per share
10/04/15 to 10/31/15		
11/01/15 to 11/28/15	6,700	\$ 170.28
11/29/15 to 01/02/16	11,200	\$ 171.94
Total/Average	17,900	\$ 171.32

Table of Contents**Five-year Stock Performance Graph**

The graph below illustrates the cumulative total shareholder return on Snap-on common stock since December 31, 2010, assuming that dividends were reinvested. The graph compares Snap-on's performance to that of a Peer Group and Standard & Poor's 500 Stock Index (S&P 500).

Snap-on Incorporated Total Shareholder Return ⁽¹⁾

Fiscal Year Ended ⁽²⁾	Snap-on Incorporated	Peer Group ⁽³⁾	S&P 500
December 31, 2010	\$ 100.00	\$ 100.00	\$ 100.00
December 31, 2011	91.62	97.93	102.11
December 31, 2012	146.06	115.15	118.45
December 31, 2013	206.03	156.88	156.82
December 31, 2014	261.18	164.08	178.29
December 31, 2015	332.03	154.72	180.75

(1) Assumes \$100 was invested on December 31, 2010, and that dividends were reinvested quarterly.

(2) The company's fiscal year ends on the Saturday that is on or nearest to December 31 of each year; for ease of calculation, the fiscal year end is assumed to be December 31.

(3) The Peer Group consists of: Stanley Black & Decker, Inc., Danaher Corporation, Emerson Electric Co., Genuine Parts Company, Newell Rubbermaid Inc., Pentair plc, SPX Corporation and W.W. Grainger, Inc.

Table of Contents**Item 6: Selected Financial Data**

The selected financial data presented below has been derived from, and should be read in conjunction with, the respective historical consolidated financial statements of the company, including the notes thereto, and Part II, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations.

<i>Five-year Data</i>					
<i>(Amounts in millions, except per share data)</i>	2015	2014	2013	2012	2011
Results of Operations					
Net sales	\$ 3,352.8	\$ 3,277.7	\$ 3,056.5	\$ 2,937.9	\$ 2,854.2
Gross profit	1,648.3	1,584.3	1,472.9	1,390.0	1,337.9
Operating expenses	1,053.7	1,048.7	1,012.4	980.3	953.7
Operating earnings before financial services	594.6	535.6	460.5	409.7	384.2
Financial services revenue	240.3	214.9	181.0	161.3	124.3
Financial services expenses	70.1	65.8	55.3	54.6	51.4
Financial services arbitration settlement gain*					18.0
Operating earnings from financial services	170.2	149.1	125.7	106.7	90.9
Operating earnings	764.8	684.7	586.2	516.4	475.1
Interest expense	51.9	52.9	56.1	55.8	61.2
Earnings before income taxes and equity earnings	710.5	630.9	526.2	460.2	412.9
Income tax expense	221.2	199.5	166.7	148.2	133.7
Earnings before equity earnings	489.3	431.4	359.5	312.0	279.2
Equity earnings, net of tax	1.3	0.7	0.2	2.6	4.6
Net earnings	490.6	432.1	359.7	314.6	283.8
Net earnings attributable to noncontrolling interests	(11.9)	(10.2)	(9.4)	(8.5)	(7.5)
Net earnings attributable to Snap-on	478.7	421.9	350.3	306.1	276.3
Financial Position					
Cash and cash equivalents	\$ 92.8	\$ 132.9	\$ 217.6	\$ 214.5	\$ 185.6
Trade and other accounts receivable net	562.5	550.8	531.6	497.9	463.5
Finance receivables net (current)	447.3	402.4	374.6	323.1	277.2
Contract receivables net (current)	82.1	74.5	68.4	62.7	49.7
Inventories net	497.8	475.5	434.4	404.2	386.4
Property and equipment net	413.5	404.5	392.5	375.2	352.9
Long-term finance receivables net	772.7	650.5	560.6	494.6	431.8
Long-term contract receivables net	266.6	242.0	217.1	194.4	165.1
Total assets	4,486.9	4,310.1	4,110.0	3,902.3	3,672.9
Notes payable and current maturities of long-term debt	18.4	56.6	113.1	5.2	16.2
Accounts payable	148.3	145.0	155.6	142.5	124.6
Long-term debt	861.7	862.7	858.9	970.4	967.9
Total debt	880.1	919.3	972.0	975.6	984.1
Total shareholders equity attributable to Snap-on	2,412.7	2,207.8	2,113.2	1,802.1	1,530.9
Common Share Summary					
Weighted-average shares outstanding diluted	59.1	59.1	59.1	58.9	58.7
Net earnings per share attributable to Snap-on:					
Basic	\$ 8.24	\$ 7.26	\$ 6.02	\$ 5.26	\$ 4.75

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Diluted	8.10	7.14	5.93	5.20	4.71
Cash dividends paid per share	2.20	1.85	1.58	1.40	1.30
Shareholders' equity per basic share	41.53	38.00	36.31	30.96	26.30

* In 2011, Snap-on settled a dispute with its former financial services joint venture partner and recorded an \$18.0 million pretax arbitration settlement gain (\$11.1 million after tax or \$0.19 per diluted share).

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Management's Discussion and Analysis of Financial Condition and Results of Operations

Item 7: Management's Discussion and Analysis of Financial Condition and Results of Operations

Management Overview

We believe our broad-based organic sales growth in 2015 demonstrates Snap-on's continued progress in providing repeatability and reliability to a wide range of professional customers performing critical tasks in workplaces of consequence, while overcoming headwinds in certain end markets and geographies that surfaced in the overall macroeconomic environment, particularly during the latter half of the year. Leveraging capabilities already demonstrated in the automotive repair arena, our coherent growth strategy focuses on developing and expanding our professional customer base, not only in automotive repair, but in adjacent markets, additional geographies and other areas, including in critical industries, where the cost and penalties for failure can be high.

We believe our 2015 operating results also provide continued evidence that Snap-on's value proposition of making work easier for serious professionals in workplaces of consequence is an ongoing strength as we move forward along our runways for coherent growth:

- Enhancing the franchise network, where we continued to focus on helping our franchisees extend their reach through innovative selling processes and productivity initiatives that break the traditional time and space barriers inherent in a mobile van;
- Expanding in the vehicle repair garage, where we continued to make significant progress in connecting with customers and translating the resulting insights into new innovation that solves specific challenges in the repair facility. For example, the July 2015 acquisition of Ecotechnics S.p.A. (Ecotechnics) further broadened our established capabilities in serving vehicle repair facilities and expanded our presence with repair shop owners and managers;
- Extending to critical industries, where we continued to grow our lines of products customized for specific industries, despite near-term challenges in certain industrial end markets; and
- Building in emerging markets, where we continued to build manufacturing capacity, focused product lines and distribution capability.

We also believe our year-over-year improvement in operating margin further evidences the potential of our Snap-on Value Creation Processes our suite of strategic principles and processes we employ every day designed to create value and employed in the areas of safety, quality, customer connection, innovation and rapid continuous improvement.

Our global financial services operations continue to serve a significant strategic role in offering financing options to our franchisees, to their customers, and to customers in other parts of our business. We expect that our global financial services business, which includes both Snap-on Credit LLC (SOC) in the United States and our other international finance subsidiaries, will continue to be a meaningful contributor to our operating earnings going forward.

Recent Acquisitions

On July 27, 2015, Snap-on acquired the assets of Ecotechnics for a cash purchase price of \$11.8 million, which reflects the finalization of a working capital adjustment that was completed in the fourth quarter of 2015. Ecotechnics designs and manufactures vehicle air conditioning service equipment for original equipment manufacturer (OEM) dealerships and the automotive aftermarket worldwide. The acquisition of the Ecotechnics product line complemented and increased Snap-on's existing equipment product offering for OEM dealerships and independent automotive repair shops, broadened its established capabilities in serving vehicle repair facilities, and expanded the company's presence with repair shop owners and managers.

On May 28, 2014, Snap-on acquired substantially all of the assets of Pro-Cut International Inc. (Pro-Cut) for a cash purchase price of \$41.3 million. Pro-Cut designs, manufactures and distributes on-car brake lathes, related equipment and accessories used in brake servicing by automotive repair facilities. The acquisition of the Pro-Cut product line complemented and increased Snap-on's existing undercar equipment

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product offering, broadened its established capabilities in serving vehicle repair facilities and expanded the company's presence with repair shop owners and managers.

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On May 13, 2013, Snap-on acquired Challenger Lifts, Inc. (Challenger) for a cash purchase price of \$38.2 million. Challenger designs, manufactures and distributes a comprehensive line of vehicle lifts and accessories to a diverse customer base in the automotive repair sector. The acquisition of the Challenger vehicle lift product line complemented and increased Snap-on's existing undercar equipment product offering, broadened its established capabilities in serving vehicle repair facilities and expanded the company's presence with repair shop owners and managers.

For segment reporting purposes, the results of operations and assets of Ecotechnics, Pro-Cut and Challenger have been included in the Repair Systems & Information Group since the respective acquisition dates. Pro forma financial information has not been presented as the net effects of these acquisitions, both individually and collectively, were neither significant nor material to Snap-on's results of operations or financial position.

Consolidated net sales of \$3,352.8 million in 2015 increased \$75.1 million, or 2.3%, from 2014 levels, including an unfavorable \$157.7 million impact from foreign currency translation and \$12.0 million of acquisition-related sales. Organic sales (excluding foreign currency translation impacts and acquisition-related sales) increased \$220.8 million or 7.1%.

Operating earnings before financial services of \$594.6 million in 2015 were up \$59.0 million, or 11.0%, from 2014 levels, reflecting contributions from higher sales and improved operating margins, including contributions from Rapid Continuous Improvement or RCI initiatives, partially offset by unfavorable foreign currency effects. Snap-on's RCI initiatives employ a structured set of tools and processes across multiple businesses and geographies intended to eliminate waste and improve operations. Savings from Snap-on's RCI initiatives reflect benefits from a wide variety of ongoing efficiency, productivity and process improvements, including savings generated from product design cost reductions, improved manufacturing line set-up and change-over practices, lower-cost sourcing initiatives and facility consolidations. Unless individually significant, it is not practicable to disclose each RCI activity that generated savings and/or segregate RCI savings embedded in sales volume increases.

Operating earnings of \$764.8 million in 2015 increased \$80.1 million, or 11.7%, from \$684.7 million last year. In 2015, net earnings attributable to Snap-on Incorporated were \$478.7 million or \$8.10 per diluted share. Net earnings attributable to Snap-on Incorporated in 2014 were \$421.9 million or \$7.14 per diluted share.

The **Commercial & Industrial Group** consists of business operations serving a broad range of industrial and commercial customers worldwide, including customers in the aerospace, natural resources, government and technical education market segments (collectively, critical industries). Segment net sales of \$1,163.6 million in 2015 decreased \$11.2 million, or 1.0%, from 2014 levels. Excluding \$75.3 million of unfavorable foreign currency translation, organic sales in 2015 increased \$64.1 million, or 5.8%, due to higher sales in the segment's power tools and Asia/Pacific operations, as well as increased sales from the segment's European-based hand tools business; sales to customers in critical industries were essentially flat, as sales gains in several market segments were generally offset by lower sales to customers in the oil and gas sector of our natural resources market segment. Operating earnings of \$169.4 million in 2015 increased \$10.8 million, or 6.8%, from 2014 levels primarily as a result of higher organic sales and savings from RCI initiatives, partially offset by unfavorable foreign currency effects.

The Commercial & Industrial Group intends to continue building on the following strategic priorities in 2016:

- Investing in emerging market growth initiatives, including in China, India, Eastern Europe, the Middle East and Latin America;
- Expanding our business with existing customers and reaching new customers in critical industries and other market segments;
- Broadening our product offering and engineered solutions designed particularly for critical industry segments;
- Increasing our customer-connection-driven understanding of work across multiple industries;
- Investing in innovation that, guided by that understanding of work, delivers an ongoing stream of productivity-enhancing solutions;
- and
- Continuing to reduce structural and operating costs through RCI and restructuring initiatives.

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Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)

In the **Snap-on Tools Group**, segment net sales of \$1,568.7 million in 2015 increased \$113.5 million, or 7.8%, from 2014 levels. Excluding \$40.7 million of unfavorable foreign currency translation, organic sales in 2015 increased \$154.2 million, or 10.9%, reflecting higher sales in both the company's U.S. and international franchise operations. Operating earnings of \$256.0 million in 2015 increased \$32.9 million, or 14.7%, from 2014 levels, primarily as a result of the higher sales and savings from RCI initiatives, partially offset by unfavorable foreign currency effects.

The Snap-on Tools Group made continued progress in 2015 on its fundamental, strategic initiatives to strengthen the franchise network and enhance franchisee profitability. In 2016, the Snap-on Tools Group intends to further build on the progress made in 2015, with specific initiatives focused on the following:

- Continuing to improve franchisee satisfaction, productivity, profitability and commercial health;
- Developing new programs and products to expand market coverage, reaching new technicians and increasing penetration with existing customers;
- Continuing to invest in new product innovation and development; and
- Increasing operational flexibility in back office support functions, manufacturing and the supply chain through RCI initiatives and investment.

By focusing on these areas, we believe that Snap-on, as well as our franchisees, will have the opportunity to continue to serve customers more effectively, more profitably and with improved satisfaction.

In the **Repair Systems & Information Group**, segment net sales of \$1,113.2 million in 2015 increased \$18.0 million, or 1.6%, from 2014 levels. Excluding \$45.8 million of unfavorable foreign currency translation and \$12.0 million of acquisition-related sales, organic sales increased \$51.8 million or 4.9%. The organic sales increase primarily reflects higher sales to OEM dealership service and repair shops (OEM dealerships), as well as increased sales to independent repair shop owners and managers, including higher sales of diagnostic and repair information products, and increased sales of undercar equipment. Operating earnings of \$273.4 million in 2015 increased \$22.2 million, or 8.8%, from 2014 levels, primarily due to higher sales, including acquisition-related sales, and savings from RCI initiatives, partially offset by unfavorable foreign currency effects.

The Repair Systems & Information Group intends to focus on the following strategic priorities in 2016:

- Expanding the product offering with new products and services, thereby providing more to sell to repair shop owners and managers;
- Continuing software and hardware upgrades;
- Leveraging integration of software solutions;
- Continuing productivity advancements through RCI initiatives and leveraging of resources; and
- Increasing penetration in geographic markets, including emerging markets.

Financial Services revenue was \$240.3 million in 2015 and \$214.9 million in 2014; originations of \$993.7 million in 2015 increased \$105.1 million, or 11.8%, from 2014 levels. In recent years, Snap-on has steadily grown its financial services portfolio by providing financing for new finance and contract receivables originated by our global financial services operations. In 2015, operating earnings from financial services of \$170.2 million increased \$21.1 million, or 14.2%, from \$149.1 million last year.

Financial Services intends to focus on the following strategic priorities in 2016:

Delivering financial products and services that attract and sustain profitable franchisees and support Snap-on's strategies for expanding market coverage and penetration;
Improving productivity levels and ensuring high quality in all financial products and processes through the use of RCI initiatives;
and
Maintaining healthy portfolio performance levels.

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Cash Flows

Net cash provided by operating activities of \$496.5 million in 2015 increased \$98.6 million from prior-year levels primarily as a result of higher 2015 net earnings and net changes in operating assets and liabilities. Net cash provided by operating activities in 2013 was \$392.6 million.

Net cash used by investing activities of \$306.4 million in 2015 included additions to, and collections of, finance receivables of \$844.2 million and \$624.8 million, respectively, as well as an \$11.8 million use of cash for the acquisition of Ecotechnics. Net cash used by investing activities of \$273.2 million in 2014 included additions to, and collections of finance receivables of \$746.2 million and \$591.4 million, respectively, as well as a \$41.3 million use of cash for the acquisition of Pro-Cut. Net cash used by investing activities of \$250.4 million in 2013 included additions to, and collections of, finance receivables of \$651.3 million and \$508.8 million, respectively, as well as a \$38.2 million use of cash for the acquisition of Challenger. Capital expenditures in 2015 of \$80.4 million reflect continued spending to support the company's execution of its strategic growth initiatives and Value Creation Processes, including continued investments focused on safety, quality, customer connection, innovation and RCI.

Net cash used by financing activities of \$226.0 million in 2015 included \$127.9 million for dividend payments to shareholders, \$110.4 million for the repurchase of 723,000 shares of Snap-on's common stock and \$34.0 million from a net decrease in notes payable and other short-term borrowings, partially offset by \$41.6 million of proceeds from stock purchase and option plan exercises. Net cash used by financing activities of \$206.9 million in 2014 included the March 2014 repayment of \$100.0 million of unsecured notes at maturity. Net cash used by financing activities in 2014 also included \$107.6 million for dividend payments to shareholders and \$79.3 million for the repurchase of 680,000 shares of Snap-on's common stock, partially offset by \$45.0 million of proceeds from a net increase in notes payable and other short-term borrowings and \$33.0 million of proceeds from stock purchase and option plan exercises. Net cash used by financing activities of \$137.8 million in 2013 included \$92.0 million for dividend payments to shareholders and \$82.6 million for the repurchase of 926,000 shares of Snap-on's common stock, partially offset by \$29.2 million of proceeds from stock purchase and option plan exercises.

Fiscal Year

Snap-on's fiscal year ends on the Saturday that is on or nearest to December 31. Unless otherwise indicated, references in this Management's Discussion and Analysis of Financial Condition and Results of Operations to fiscal 2015 or 2015 refer to the fiscal year ended January 2, 2016; references to fiscal 2014 or 2014 refer to the fiscal year ended January 3, 2015; and references to fiscal 2013 or 2013 refer to the fiscal year ended December 28, 2013. References in this document to 2015, 2014 and 2013 year end refer to January 2, 2016, January 3, 2015, and December 28, 2013, respectively.

Table of Contents*Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)***Results of Operations****2015 vs. 2014**

Results of operations for 2015 and 2014 are as follows:

<i>(Amounts in millions)</i>	2015		2014		Change	
Net sales	\$ 3,352.8	100.0%	\$ 3,277.7	100.0%	\$ 75.1	2.3%
Cost of goods sold	(1,704.5)	-50.8%	(1,693.4)	-51.7%	(11.1)	-0.7%
Gross profit	1,648.3	49.2%	1,584.3	48.3%	64.0	4.0%
Operating expenses	(1,053.7)	-31.5%	(1,048.7)	-32.0%	(5.0)	-0.5%
Operating earnings before financial services	594.6	17.7%	535.6	16.3%	59.0	11.0%
Financial services revenue	240.3	100.0%	214.9	100.0%	25.4	11.8%
Financial services expenses	(70.1)	-29.2%	(65.8)	-30.6%	(4.3)	-6.5%
Operating earnings from financial services	170.2	70.8%	149.1	69.4%	21.1	14.2%
Operating earnings	764.8	21.3%	684.7	19.6%	80.1	11.7%
Interest expense	(51.9)	-1.4%	(52.9)	-1.5%	1.0	1.9%
Other income (expense) net	(2.4)	-0.1%	(0.9)		(1.5)	NM
Earnings before income taxes and equity earnings	710.5	19.8%	630.9	18.1%	79.6	12.6%
Income tax expense	(221.2)	-6.2%	(199.5)	-5.7%	(21.7)	-10.9%
Earnings before equity earnings	489.3	13.6%	431.4	12.4%	57.9	13.4%
Equity earnings, net of tax	1.3		0.7		0.6	NM
Net earnings	490.6	13.6%	432.1	12.4%	58.5	13.5%
Net earnings attributable to noncontrolling interests	(11.9)	-0.3%	(10.2)	-0.3%	(1.7)	-16.7%
Net earnings attributable to Snap-on Inc.	\$ 478.7	13.3%	\$ 421.9	12.1%	\$ 56.8	13.5%

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NM: Not meaningful

Percentage Disclosure: All income statement line item percentages below Operating earnings from financial services are calculated as a percentage of the sum of Net sales and Financial services revenue.

Snap-on's 2015 fiscal year contained 52 weeks of operating results. Snap-on's 2014 fiscal year contained 53 weeks of operating results. The impact of the additional week of operations in fiscal 2014 was not material to Snap-on's full year 2014 net sales or net earnings.

Net sales of \$3,352.8 million in 2015 increased \$75.1 million, or 2.3%, from 2014 levels, including \$157.7 million of unfavorable foreign currency translation and \$12.0 million of acquisition-related sales. Organic sales (excluding foreign currency translation impacts and acquisition-related sales) in 2015 increased \$220.8 million, or 7.1%, from 2014 levels. Snap-on has significant international operations and is subject to risks inherent with foreign operations, including foreign currency translation fluctuations.

Gross profit of \$1,648.3 million in 2015 compared to \$1,584.3 million last year. Gross margin (gross profit as a percentage of net sales) of 49.2% in 2015 improved 90 basis points (100 basis points (bps) equals 1.0 percent) from 48.3% last year primarily due to benefits from higher sales and savings from RCI initiatives, as well as lower restructuring costs (20 bps). Restructuring costs included in gross profit were zero and \$5.7 million in 2015 and 2014, respectively.

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Operating expenses of \$1,053.7 million in 2015 compared to \$1,048.7 million last year. The operating expense margin (operating expenses as a percentage of net sales) of 31.5% in 2015 improved 50 bps from 32.0% last year primarily due to sales volume leverage and savings from RCI initiatives, partially offset by 20 bps of higher pension expense. Restructuring costs included in operating expenses were zero and \$0.8 million in 2015 and 2014, respectively.

Operating earnings before financial services of \$594.6 million in 2015, including \$39.5 million of unfavorable foreign currency effects, increased \$59.0 million, or 11.0%, as compared to \$535.6 million last year. As a percentage of net sales, operating earnings before financial services of 17.7% in 2015 improved 140 bps from 16.3% last year.

Financial services revenue of \$240.3 million in 2015 compared to revenue of \$214.9 million last year. Financial services operating earnings of \$170.2 million in 2015, including \$2.6 million of unfavorable foreign currency effects, increased \$21.1 million, or 14.2%, as compared to \$149.1 million last year. The year-over-year increases in both revenue and operating earnings primarily reflect continued growth of the company's financial services portfolio.

Operating earnings of \$764.8 million in 2015, including \$42.1 million of unfavorable foreign currency effects, increased \$80.1 million, or 11.7%, from \$684.7 million last year. As a percentage of revenues (net sales plus financial services revenue), operating earnings of 21.3% in 2015 improved 170 bps from 19.6% last year.

Interest expense of \$51.9 million in 2015 decreased \$1.0 million from \$52.9 million last year. See Note 9 to the Consolidated Financial Statements for information on Snap-on's debt and credit facilities.

Other income (expense) net was expense of \$2.4 million and \$0.9 million in 2015 and 2014, respectively. Other income (expense) net primarily reflects net losses and gains associated with hedging and currency exchange rate transactions, and interest income. See Note 16 to the Consolidated Financial Statements for information on other income (expense) net.

Snap-on's effective income tax rate on earnings attributable to Snap-on was 31.7% in 2015 and 32.1% in 2014. See Note 8 to the Consolidated Financial Statements for information on income taxes.

Net earnings attributable to Snap-on of \$478.7 million, or \$8.10 per diluted share, in 2015 increased \$56.8 million, or \$0.96 per diluted share, from 2014 levels. Net earnings attributable to Snap-on in 2014 were \$421.9 million or \$7.14 per diluted share.

Exit and Disposal Activities

Snap-on did not record any costs for exit and disposal activities in 2015; Snap-on recorded \$6.5 million of costs for exit and disposal activities in 2014. See Note 7 to the Consolidated Financial Statements for information on Snap-on's exit and disposal activities.

Table of Contents*Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)***Segment Results**

Snap-on's business segments are based on the organization structure used by management for making operating and investment decisions and for assessing performance. Snap-on's reportable business segments are: (i) the Commercial & Industrial Group; (ii) the Snap-on Tools Group; (iii) the Repair Systems & Information Group; and (iv) Financial Services. The Commercial & Industrial Group consists of business operations serving a broad range of industrial and commercial customers worldwide, including customers in the aerospace, natural resources, government and technical education market segments (collectively, "critical industries"), primarily through direct and distributor channels. The Snap-on Tools Group consists of business operations primarily serving vehicle service and repair technicians through the company's worldwide mobile tool distribution channel. The Repair Systems & Information Group consists of business operations serving other professional vehicle repair customers worldwide, primarily owners and managers of independent repair shops and OEM dealerships, through direct and distributor channels. Financial Services consists of the business operations of Snap-on's finance subsidiaries.

Snap-on evaluates the performance of its operating segments based on segment revenues, including both external and intersegment net sales, and segment operating earnings. Snap-on accounts for intersegment sales and transfers based primarily on standard costs with reasonable mark-ups established between the segments. Identifiable assets by segment are those assets used in the respective reportable segment's operations. Corporate assets consist of cash and cash equivalents (excluding cash held at Financial Services), deferred income taxes and certain other assets. All significant intersegment amounts are eliminated to arrive at Snap-on's consolidated financial results.

Commercial & Industrial Group

<i>(Amounts in millions)</i>	2015		2014		Change	
External net sales	\$ 895.5	77.0%	\$ 952.1	81.0%	\$ (56.6)	-5.9%
Intersegment net sales	268.1	23.0%	222.7	19.0%	45.4	20.4%
Segment net sales	1,163.6	100.0%	1,174.8	100.0%	(11.2)	-1.0%
Cost of goods sold	(717.1)	-61.6%	(725.1)	-61.7%	8.0	1.1%
Gross profit	446.5	38.4%	449.7	38.3%	(3.2)	-0.7%
Operating expenses	(277.1)	-23.8%	(291.1)	-24.8%	14.0	4.8%
Segment operating earnings	\$ 169.4	14.6%	\$ 158.6	13.5%	\$ 10.8	6.8%

Segment net sales of \$1,163.6 million in 2015 decreased \$11.2 million, or 1.0%, from 2014 levels. Excluding \$75.3 million of unfavorable foreign currency translation, organic sales increased \$64.1 million, or 5.8%, primarily due to a double-digit gain in the segment's power tools operations and high single-digit increases from both the segment's European-based hand tools business and Asia/Pacific operations; sales to customers in critical industries were essentially flat, as sales gains in several market segments were generally offset by lower sales to customers in the oil and gas sector of our natural resources market segment.

Segment gross profit of \$446.5 million in 2015 compared to \$449.7 million last year. Gross margin of 38.4% in 2015 improved 10 bps from 38.3% last year, as savings from RCI initiatives were partially offset by a shift in sales that included higher volumes of lower gross margin products, including increased sales from the segment's power tools and Asia/Pacific operations. Restructuring costs included in gross profit were zero and \$1.0 million in 2015 and 2014, respectively.

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Segment operating expenses of \$277.1 million in 2015 compared to \$291.1 million last year. The operating expense margin of 23.8% in 2015 improved 100 bps from 24.8% last year primarily due to benefits from the sales shift noted above and a 20 bps gain from the sale of a former manufacturing facility. Restructuring costs included in operating expenses were zero and \$0.4 million in 2015 and 2014, respectively.

As a result of these factors, segment operating earnings of \$169.4 million in 2015, including \$7.7 million of unfavorable foreign currency effects, increased \$10.8 million from 2014 levels. Operating margin (segment operating earnings as a percentage of segment net sales) for the Commercial & Industrial Group of 14.6% in 2015 improved 110 bps from 13.5% last year.

Table of Contents**Snap-on Tools Group**

<i>(Amounts in millions)</i>	2015		2014		Change	
Segment net sales	\$ 1,568.7	100.0%	\$ 1,455.2	100.0%	\$ 113.5	7.8%
Cost of goods sold	(885.7)	-56.5%	(824.9)	-56.7%	(60.8)	-7.4%
Gross profit	683.0	43.5%	630.3	43.3%	52.7	8.4%
Operating expenses	(427.0)	-27.2%	(407.2)	-28.0%	(19.8)	-4.9%
Segment operating earnings	\$ 256.0	16.3%	\$ 223.1	15.3%	\$ 32.9	14.7%

Segment net sales of \$1,568.7 million in 2015 increased \$113.5 million, or 7.8%, from 2014 levels. Excluding \$40.7 million of unfavorable foreign currency translation, organic sales increased \$154.2 million, or 10.9%, reflecting double-digit sales gains in both the company's U.S. and international franchise operations.

Segment gross profit of \$683.0 million in 2015 compared to \$630.3 million last year. Gross margin of 43.5% in 2015 improved 20 bps from 43.3% last year primarily due to benefits from higher sales and savings from RCI initiatives, partially offset by 90 bps of unfavorable foreign currency effects.

Segment operating expenses of \$427.0 million in 2015 compared to \$407.2 million last year. The operating expense margin of 27.2% in 2015 improved 80 bps from 28.0% last year primarily due to sales volume leverage.

As a result of these factors, segment operating earnings of \$256.0 million in 2015, including \$21.3 million of unfavorable foreign currency effects, increased \$32.9 million from 2014 levels. Operating margin for the Snap-on Tools Group of 16.3% in 2015 improved 100 bps from 15.3% last year.

Repair Systems & Information Group

<i>(Amounts in millions)</i>	2015		2014		Change	
External net sales	\$ 888.6	79.8%	\$ 870.4	79.5%	\$ 18.2	2.1%
Intersegment net sales	224.6	20.2%	224.8	20.5%	(0.2)	-0.1%
Segment net sales	1,113.2	100.0%	1,095.2	100.0%	18.0	1.6%
Cost of goods sold	(594.4)	-53.4%	(590.9)	-54.0%	(3.5)	-0.6%
Gross profit	518.8	46.6%	504.3	46.0%	14.5	2.9%
Operating expenses	(245.4)	-22.0%	(253.1)	-23.1%	7.7	3.0%
Segment operating earnings	\$ 273.4	24.6%	\$ 251.2	22.9%	\$ 22.2	8.8%

Segment net sales of \$1,113.2 million in 2015 increased \$18.0 million, or 1.6%, from 2014 levels. Excluding \$45.8 million of unfavorable foreign currency translation and \$12.0 million of acquisition-related sales, organic sales increased \$51.8 million or 4.9%. The organic sales increase primarily reflects mid single-digit gains in sales of undercar equipment, sales to OEM dealerships, and sales of diagnostic and repair information products to independent repair shop owners and managers.

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Segment gross profit of \$518.8 million in 2015 compared to \$504.3 million last year. Gross margin of 46.6% in 2015 improved 60 bps from 46.0% last year primarily due to contributions from higher sales and savings from RCI initiatives, and lower restructuring costs (40 bps). These gross margin improvements were partially offset by a shift in sales that included higher volumes of lower gross margin products, including increased essential tool and facilitation sales to OEM dealerships. Restructuring costs included in gross profit were zero and \$4.7 million in 2015 and 2014, respectively.

Segment operating expenses of \$245.4 million in 2015 compared to \$253.1 million last year. The operating expense margin of 22.0% in 2015 improved 110 bps from 23.1% last year primarily due to sales volume leverage, including benefits from the sales shift noted above, and savings from RCI initiatives. Restructuring costs included in operating expenses were zero and \$0.4 million in 2015 and 2014, respectively.

As a result of these factors, segment operating earnings of \$273.4 million in 2015, including \$10.5 million of unfavorable foreign currency effects, increased \$22.2 million from 2014 levels. Operating margin for the Repair Systems & Information Group of 24.6% in 2015 improved 170 bps from 22.9% last year.

Table of Contents*Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)***Financial Services**

<i>(Amounts in millions)</i>	2015		2014		Change	
Financial services revenue	\$ 240.3	100.0%	\$ 214.9	100.0%	\$ 25.4	11.8%
Financial services expenses	(70.1)	-29.2%	(65.8)	-30.6%	(4.3)	-6.5%
Segment operating earnings	\$ 170.2	70.8%	\$ 149.1	69.4%	\$ 21.1	14.2%

Financial services revenue of \$240.3 million in 2015 increased \$25.4 million, or 11.8%, from \$214.9 million last year. The \$25.4 million increase in financial services revenue primarily reflects \$23.0 million of higher revenue as a result of continued growth of the company's financial services portfolio and \$2.2 million of increased revenue from higher average yields on finance receivables. In 2015 and 2014, the average yield on finance receivables was 17.8% and 17.6%, respectively, and the average yield on contract receivables was 9.5% in both years. Originations of \$993.7 million in 2015 increased \$105.1 million, or 11.8%, from 2014 levels.

Financial services expenses primarily include personnel-related and other general and administrative costs, as well as provisions for doubtful accounts. These expenses are generally more dependent on changes in the size of the financial services portfolio than they are on the revenue of the segment. Financial services expenses of \$70.1 million in 2015 compared to \$65.8 million in 2014. As a percentage of the average financial services portfolio, financial services expenses were 4.8% and 5.1% in 2015 and 2014, respectively.

Financial services operating earnings of \$170.2 million in 2015, including \$2.6 million of unfavorable foreign currency effects, increased \$21.1 million, or 14.2%, from 2014 levels.

See Note 1 to the Consolidated Financial Statements for further information on financial services.

Corporate

Snap-on's general corporate expenses in 2015 of \$104.2 million increased \$6.9 million from \$97.3 million last year primarily due to \$7.9 million of higher pension expense.

Table of Contents**Fourth Quarter**

Results of operations for the fourth quarters of 2015 and 2014 are as follows:

<i>(Amounts in millions)</i>	Fourth Quarter					
	2015		2014		Change	
Net sales	\$ 851.7	100.0%	\$ 857.4	100.0%	\$ (5.7)	-0.7%
Cost of goods sold	(439.4)	-51.6%	(446.1)	-52.0%	6.7	1.5%
Gross profit	412.3	48.4%	411.3	48.0%	1.0	0.2%
Operating expenses	(250.0)	-29.3%	(266.1)	-31.1%	16.1	6.1%
Operating earnings before financial services	162.3	19.1%	145.2	16.9%	17.1	11.8%
Financial services revenue	63.1	100.0%	59.4	100.0%	3.7	6.2%
Financial services expenses	(18.1)	-28.7%	(17.2)	-29.0%	(0.9)	-5.2%
Operating earnings from financial services	45.0	71.3%	42.2	71.0%	2.8	6.6%
Operating earnings	207.3	22.7%	187.4	20.4%	19.9	10.6%
Interest expense	(13.0)	-1.4%	(13.8)	-1.5%	0.8	5.8%
Other income (expense) net	(0.5)	-0.1%	(0.2)		(0.3)	NM
Earnings before income taxes and equity earnings	193.8	21.2%	173.4	18.9%	20.4	11.8%
Income tax expense	(59.3)	-6.5%	(54.9)	-5.9%	(4.4)	-8.0%
Earnings before equity earnings	134.5	14.7%	118.5	13.0%	16.0	13.5%
Equity earnings, net of tax			0.2		(0.2)	NM
Net earnings	134.5	14.7%	118.7	13.0%	15.8	13.3%
Net earnings attributable to noncontrolling interests	(3.1)	-0.3%	(2.5)	-0.3%	(0.6)	-24.0%
Net earnings attributable to Snap-on Inc.	\$ 131.4	14.4%	\$ 116.2	12.7%	\$ 15.2	13.1%

NM: Not meaningful

Percentage Disclosure: All income statement line item percentages below Operating earnings from financial services are calculated as a percentage of the sum of Net sales and Financial services revenue.

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Snap-on's 2015 fiscal year contained 52 weeks of operating results. Snap-on's 2014 fiscal year contained 53 weeks of operating results, with the extra week occurring in the fourth quarter. The impact of the additional week of operations in fiscal 2014 was not material to Snap-on's fourth quarter 2014 net sales or net earnings.

Net sales of \$851.7 million in the fourth quarter of 2015 decreased \$5.7 million, or 0.7%, from 2014 levels, including \$33.2 million of unfavorable foreign currency translation and \$2.2 million of acquisition-related sales. Organic sales in the fourth quarter of 2015 increased \$25.3 million, or 3.1%, from 2014 levels. Snap-on has significant international operations and is subject to risks inherent with foreign operations, including foreign currency translation fluctuations.

Gross profit of \$412.3 million in the fourth quarter of 2015 compared to \$411.3 million last year. Gross margin of 48.4% in the quarter improved 40 bps from 48.0% last year primarily due to higher organic sales and savings from RCI initiatives, partially offset by 20 bps of unfavorable foreign currency effects. Restructuring costs included in gross profit were zero and \$1.0 million in the fourth quarters of 2015 and 2014, respectively.

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Table of Contents*Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)*

Operating expenses of \$250.0 million in the fourth quarter of 2015 compared to \$266.1 million last year. The operating expense margin of 29.3% in the fourth quarter of 2015 improved 180 bps from 31.1% last year primarily due to organic sales volume leverage and savings from RCI initiatives, a 50 bps benefit from lower performance-based and stock-based (mark-to-market) compensation expenses, and a 30 bps gain primarily from the sale of a former manufacturing facility. These improvements in operating expense margin were partially offset by 20 bps of higher pension expense.

Operating earnings before financial services of \$162.3 million in the fourth quarter of 2015, including \$9.2 million of unfavorable foreign currency effects, increased \$17.1 million, or 11.8%, as compared to \$145.2 million last year. As a percentage of net sales, operating earnings before financial services of 19.1% in the quarter improved 220 bps from 16.9% last year.

Financial services revenue of \$63.1 million in the fourth quarter of 2015 compared to revenue of \$59.4 million last year. Financial services operating earnings of \$45.0 million in the fourth quarter of 2015, including \$0.7 million of unfavorable foreign currency effects, increased \$2.8 million, or 6.6%, as compared to \$42.2 million last year. The year-over-year increases in both revenue and operating earnings primarily reflect continued growth of the company's financial services portfolio.

Operating earnings of \$207.3 million in the fourth quarter of 2015, including \$9.9 million of unfavorable foreign currency effects, increased \$19.9 million, or 10.6%, from \$187.4 million last year. As a percentage of revenues, operating earnings of 22.7% in the quarter improved 230 bps from 20.4% last year.

Interest expense of \$13.0 million in the fourth quarter of 2015 decreased \$0.8 million from \$13.8 million last year. See Note 9 to the Consolidated Financial Statements for information on Snap-on's debt and credit facilities.

Other income (expense) net was expense of \$0.5 million and \$0.2 million in the fourth quarters of 2015 and 2014, respectively. See Note 16 to the Consolidated Financial Statements for information on other income (expense) net.

Snap-on's fourth-quarter effective income tax rate on earnings attributable to Snap-on was 31.1% in 2015 and 32.1% in 2014. See Note 8 to the Consolidated Financial Statements for information on income taxes.

Net earnings attributable to Snap-on of \$131.4 million, or \$2.22 per diluted share, in the fourth quarter of 2015 increased \$15.2 million, or \$0.25 per diluted share, from 2014 levels. Net earnings attributable to Snap-on in the fourth quarter of 2014 were \$116.2 million or \$1.97 per diluted share.

Segment Results**Commercial & Industrial Group**

<i>(Amounts in millions)</i>	Fourth Quarter						Change	
	2015		2014					
External net sales	\$	212.0	75.2%	\$	237.9	79.8%	\$ (25.9)	-10.9%
Intersegment net sales		69.8	24.8%		60.3	20.2%	9.5	15.8%
Segment net sales		281.8	100.0%		298.2	100.0%	(16.4)	-5.5%

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Cost of goods sold	(174.2)	-61.8%	(184.8)	-62.0%	10.6	5.7%
Gross profit	107.6	38.2%	113.4	38.0%	(5.8)	-5.1%
Operating expenses	(65.7)	-23.3%	(72.9)	-24.4%	7.2	9.9%
Segment operating earnings	\$ 41.9	14.9%	\$ 40.5	13.6%	\$ 1.4	3.5%

Segment net sales of \$281.8 million in the fourth quarter of 2015 decreased \$16.4 million, or 5.5%, from 2014 levels. Excluding \$14.7 million of unfavorable foreign currency translation, organic sales decreased \$1.7 million, or 0.6%, primarily due to a high single-digit decline in sales to customers in critical industries, largely as a result of lower sales to the military and to customers in the oil and gas sector of our natural resources market segment. These organic sales declines were partially offset by a double-digit increase in the segment's power tools operations and a low single-digit gain from the segment's European-based hand tools business.

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Segment gross profit of \$107.6 million in the fourth quarter of 2015 compared to \$113.4 million last year. Gross margin of 38.2% in the quarter improved 20 bps from 38.0% last year, as savings from RCI initiatives and 20 bps of lower restructuring costs were partially offset by a shift in sales that included a decrease in higher gross margin sales to customers in critical industries and an increase in lower gross margin sales from the segment's power tools operations. Restructuring costs included in gross profit were zero and \$0.5 million in the fourth quarters of 2015 and 2014, respectively.

Segment operating expenses of \$65.7 million in the fourth quarter of 2015 compared to \$72.9 million last year. The operating expense margin of 23.3% in the quarter improved 110 bps from 24.4% last year primarily due to a 70 bps gain from the sale of a former manufacturing facility, as well as benefits from the sales shift noted above.

As a result of these factors, segment operating earnings of \$41.9 million in the fourth quarter of 2015, including \$1.5 million of unfavorable foreign currency effects, increased \$1.4 million from 2014 levels. Operating margin for the Commercial & Industrial Group of 14.9% in the fourth quarter of 2015 improved 130 bps from 13.6% last year.

Snap-on Tools Group

(Amounts in millions)	Fourth Quarter					
	2015		2014		Change	
Segment net sales	\$ 411.2	100.0%	\$ 387.5	100.0%	\$ 23.7	6.1%
Cost of goods sold	(237.5)	-57.8%	(221.1)	-57.1%	(16.4)	-7.4%
Gross profit	173.7	42.2%	166.4	42.9%	7.3	4.4%
Operating expenses	(101.8)	-24.7%	(102.5)	-26.4%	0.7	0.7%
Segment operating earnings	\$ 71.9	17.5%	\$ 63.9	16.5%	\$ 8.0	12.5%

Segment net sales of \$411.2 million in the fourth quarter of 2015 increased \$23.7 million, or 6.1%, from 2014 levels. Excluding \$9.3 million of unfavorable foreign currency translation, organic sales increased \$33.0 million, or 8.7%, reflecting a high single-digit sales gain in the company's U.S. franchise operations and a double-digit sales increase in the company's international franchise operations.

Segment gross profit of \$173.7 million in the fourth quarter of 2015 compared to \$166.4 million last year. Gross margin of 42.2% in the quarter decreased 70 bps from 42.9% last year primarily due to unfavorable foreign currency effects.

Segment operating expenses of \$101.8 million in the fourth quarter of 2015 compared to \$102.5 million last year. The operating expense margin of 24.7% in the quarter improved 170 bps from 26.4% last year primarily due to sales volume leverage.

As a result of these factors, segment operating earnings of \$71.9 million in the fourth quarter of 2015, including \$4.8 million of unfavorable foreign currency effects, increased \$8.0 million from 2014 levels. Operating margin for the Snap-on Tools Group of 17.5% in the fourth quarter of 2015 improved 100 bps from 16.5% last year.

Repair Systems & Information Group

(Amounts in millions)	Fourth Quarter		
	2015	2014	Change

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External net sales	\$ 228.5	81.4%	\$ 232.0	82.0%	\$ (3.5)	-1.5%
Intersegment net sales	52.1	18.6%	50.8	18.0%	1.3	2.6%
Segment net sales	280.6	100.0%	282.8	100.0%	(2.2)	-0.8%
Cost of goods sold	(149.6)	-53.3%	(151.3)	-53.5%	1.7	1.1%
Gross profit	131.0	46.7%	131.5	46.5%	(0.5)	-0.4%
Operating expenses	(58.9)	-21.0%	(66.3)	-23.4%	7.4	11.2%
Segment operating earnings	\$ 72.1	25.7%	\$ 65.2	23.1%	\$ 6.9	10.6%

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Segment net sales of \$280.6 million in the fourth quarter of 2015 decreased \$2.2 million, or 0.8%, from 2014 levels. Excluding \$10.3 million of unfavorable foreign currency translation and \$2.2 million of acquisition-related sales, organic sales increased \$5.9 million or 2.2%. The organic sales increase primarily reflects a mid single-digit gain in sales of diagnostic and repair information products to independent repair shop owners and managers, and a low single-digit increase in sales to OEM dealerships; sales of undercar equipment were essentially flat year over year.

Segment gross profit of \$131.0 million in the fourth quarter of 2015 compared to \$131.5 million last year. Gross margin of 46.7% in the quarter improved 20 bps from 46.5% last year. Restructuring costs included in gross profit were zero and \$0.5 million in the fourth quarters of 2015 and 2014, respectively.

Segment operating expenses of \$58.9 million in the fourth quarter of 2015 compared to \$66.3 million last year. The operating expense margin of 21.0% in the quarter improved 240 bps from 23.4% last year primarily due to organic sales volume leverage and savings from RCI initiatives. Restructuring costs included in operating expenses were zero and \$0.1 million in the fourth quarters of 2015 and 2014, respectively.

As a result of these factors, segment operating earnings of \$72.1 million in the fourth quarter of 2015, including \$2.9 million of unfavorable foreign currency effects, increased \$6.9 million from 2014 levels. Operating margin for the Repair Systems & Information Group of 25.7% in the fourth quarter of 2015 improved 260 bps from 23.1% last year.

Financial Services

<i>(Amounts in millions)</i>	Fourth Quarter				Change	
	2015		2014			
Financial services revenue	\$ 63.1	100.0%	\$ 59.4	100.0%	\$ 3.7	6.2%
Financial services expenses	(18.1)	-28.7%	(17.2)	-29.0%	(0.9)	-5.2%
Segment operating earnings	\$ 45.0	71.3%	\$ 42.2	71.0%	\$ 2.8	6.6%

Financial services revenue of \$63.1 million in the fourth quarter of 2015 increased \$3.7 million, or 6.2%, from \$59.4 million last year. The \$3.7 million increase in financial services revenue reflects \$3.5 million of higher revenue as a result of continued growth of the company's financial services portfolio and \$0.2 million of increased revenue from higher average yields on finance receivables. In the fourth quarters of 2015 and 2014, the average yield on finance receivables was 17.8% and 17.6%, respectively, and the average yield on contract receivables was 9.5% in both periods. Originations of \$252.0 million in the fourth quarter of 2015 increased \$19.8 million, or 8.5%, from 2014 levels.

Financial services expenses of \$18.1 million in the fourth quarter of 2015 compared to financial services expenses of \$17.2 million last year. As a percentage of the average financial services portfolio, financial services expenses were 1.2% and 1.3% in the fourth quarters of 2015 and 2014, respectively.

Financial services operating earnings of \$45.0 million in the fourth quarter of 2015, including \$0.7 million of unfavorable foreign currency effects, increased \$2.8 million, or 6.6%, from 2014 levels.

See Note 1 to the Consolidated Financial Statements for further information on financial services.

Corporate

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Snap-on's fourth quarter 2015 general corporate expenses of \$23.6 million decreased \$0.8 million from \$24.4 million last year, as \$2.3 million of higher pension expense was more than offset by lower other expenses, including lower performance-based and mark-to-market compensation expenses.

Table of Contents**2014 vs. 2013**

Results of operations for 2014 and 2013 are as follows:

<i>(Amounts in millions)</i>	2014		2013		Change	
Net sales	\$ 3,277.7	100.0%	\$ 3,056.5	100.0%	\$ 221.2	7.2%
Cost of goods sold	(1,693.4)	-51.7%	(1,583.6)	-51.8%	(109.8)	-6.9%
Gross profit	1,584.3	48.3%	1,472.9	48.2%	111.4	7.6%
Operating expenses	(1,048.7)	-32.0%	(1,012.4)	-33.1%	(36.3)	-3.6%
Operating earnings before financial services	535.6	16.3%	460.5	15.1%	75.1	16.3%
Financial services revenue	214.9	100.0%	181.0	100.0%	33.9	18.7%
Financial services expenses	(65.8)	-30.6%	(55.3)	-30.6%	(10.5)	-19.0%
Operating earnings from financial services	149.1	69.4%	125.7	69.4%	23.4	18.6%
Operating earnings	684.7	19.6%	586.2	18.1%	98.5	16.8%
Interest expense	(52.9)	-1.5%	(56.1)	-1.7%	3.2	5.7%
Other income (expense) net	(0.9)		(3.9)	-0.1%	3.0	76.9%
Earnings before income taxes and equity earnings	630.9	18.1%	526.2	16.3%	104.7	19.9%
Income tax expense	(199.5)	-5.7%	(166.7)	-5.2%	(32.8)	-19.7%
Earnings before equity earnings	431.4	12.4%	359.5	11.1%	71.9	20.0%
Equity earnings, net of tax	0.7		0.2		0.5	NM
Net earnings	432.1	12.4%	359.7	11.1%	72.4	20.1%
Net earnings attributable to noncontrolling interests	(10.2)	-0.3%	(9.4)	-0.3%	(0.8)	-8.5%
Net earnings attributable to Snap-on Inc.	\$ 421.9	12.1%	\$ 350.3	10.8%	\$ 71.6	20.4%

NM: Not meaningful

Percentage Disclosure: All income statement line item percentages below Operating earnings from financial services are calculated as a percentage of the sum of Net sales and Financial services revenue.

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Snap-on's 2014 fiscal year contained 53 weeks of operating results. Snap-on's 2013 fiscal year contained 52 weeks of operating results. The impact of the additional week of operations in fiscal 2014 was not material to Snap-on's full year 2014 net sales or net earnings.

Net sales of \$3,277.7 million in 2014 increased \$221.2 million, or 7.2%, from 2013 levels, including \$37.0 million of acquisition-related sales and \$25.3 million of unfavorable foreign currency translation. Organic sales in 2014 increased \$209.5 million, or 6.9%, from 2013 levels. Snap-on has significant international operations and is subject to risks inherent with foreign operations, including foreign currency translation fluctuations.

Gross profit of \$1,584.3 million in 2014 compared to \$1,472.9 million in 2013. Gross margin of 48.3% in 2014 improved 10 bps from 48.2% in 2013, as benefits from higher sales and savings from RCI initiatives were partially offset by increased restructuring and other costs. Restructuring costs included in gross profit were \$5.7 million and \$4.4 million in 2014 and 2013, respectively.

Table of Contents*Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)*

Operating expenses of \$1,048.7 million in 2014 compared to \$1,012.4 million in 2013. The operating expense margin of 32.0% in 2014 improved 110 bps from 33.1% in 2013 primarily due to sales volume leverage. Restructuring costs included in operating expenses were \$0.8 million and \$1.9 million in 2014 and 2013, respectively.

Operating earnings before financial services of \$535.6 million in 2014, including \$11.3 million of unfavorable foreign currency effects, increased \$75.1 million, or 16.3%, as compared to \$460.5 million in 2013. As a percentage of net sales, operating earnings before financial services of 16.3% in 2014 improved 120 bps from 15.1% in 2013.

Financial services revenue of \$214.9 million in 2014 compared to revenue of \$181.0 million in 2013. Financial services operating earnings of \$149.1 million in 2014, including \$0.2 million of unfavorable foreign currency effects, increased \$23.4 million, or 18.6%, as compared to \$125.7 million last year. The year-over-year increases in both revenue and operating earnings primarily reflect continued growth of the company's financial services portfolio.

Operating earnings of \$684.7 million in 2014, including \$11.5 million of unfavorable foreign currency effects, increased \$98.5 million, or 16.8%, from \$586.2 million in 2013. As a percentage of revenues, operating earnings of 19.6% in 2014 improved 150 bps from 18.1% in 2013.

Interest expense of \$52.9 million in 2014 decreased \$3.2 million from \$56.1 million in 2013 primarily due to lower average debt levels as a result of the March 2014 repayment of \$100.0 million of unsecured notes at maturity. See Note 9 to the Consolidated Financial Statements for information on Snap-on's debt and credit facilities.

Other income (expense) net was expense of \$0.9 million and \$3.9 million in 2014 and 2013, respectively. Other income (expense) net primarily reflects net losses and gains associated with hedging and currency exchange rate transactions, and interest income. See Note 16 to the Consolidated Financial Statements for information on other income (expense) net.

Snap-on's effective income tax rate on earnings attributable to Snap-on was 32.1% in 2014 and 32.3% in 2013. See Note 8 to the Consolidated Financial Statements for information on income taxes.

Net earnings attributable to Snap-on in 2014 of \$421.9 million, or \$7.14 per diluted share, increased \$71.6 million, or \$1.21 per diluted share, from 2013 levels. Net earnings attributable to Snap-on in 2013 were \$350.3 million or \$5.93 per diluted share.

Exit and Disposal Activities

Snap-on recorded costs for exit and disposal activities of \$6.5 million and \$6.4 million in 2014 and 2013, respectively. See Note 7 to the Consolidated Financial Statements for information on Snap-on's exit and disposal activities.

Segment Results**Commercial & Industrial Group**

(Amounts in millions)	2014		2013		Change	
External net sales	\$ 952.1	81.0%	\$ 903.0	82.8%	\$ 49.1	5.4%
Intersegment net sales	222.7	19.0%	188.0	17.2%	34.7	18.5%

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Segment net sales	1,174.8	100.0%	1,091.0	100.0%	83.8	7.7%
Cost of goods sold	(725.1)	-61.7%	(671.5)	-61.5%	(53.6)	-8.0%
Gross profit	449.7	38.3%	419.5	38.5%	30.2	7.2%
Operating expenses	(291.1)	-24.8%	(282.2)	-25.9%	(8.9)	-3.2%
Segment operating earnings	\$ 158.6	13.5%	\$ 137.3	12.6%	\$ 21.3	15.5%

Segment net sales of \$1,174.8 million in 2014 increased \$83.8 million, or 7.7%, from 2013 levels; excluding \$18.2 million of unfavorable foreign currency translation, organic sales increased \$102.0 million or 9.5%. The organic sales increase primarily reflects a double-digit gain in sales to customers in critical industries and a mid single-digit sales increase in the segment's European-based hand tools business.

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Segment gross profit of \$449.7 million in 2014 compared to \$419.5 million in 2013. Gross margin of 38.3% in 2014 decreased 20 bps from 38.5% in 2013, as benefits from increased sales and savings from RCI initiatives, as well as 10 bps of lower restructuring costs, were more than offset by higher expenses, including 30 bps of unfavorable foreign currency effects. Restructuring costs included in gross profit were \$1.0 million and \$2.5 million in 2014 and 2013, respectively.

Segment operating expenses of \$291.1 million in 2014 compared to \$282.2 million in 2013. The operating expense margin of 24.8% in 2014 improved 110 bps from 25.9% in 2013 primarily due to sales volume leverage. Restructuring costs included in operating expenses were \$0.4 million in both years.

As a result of these factors, segment operating earnings of \$158.6 million in 2014, including \$6.3 million of unfavorable foreign currency effects, increased \$21.3 million from 2013 levels. Operating margin for the Commercial & Industrial Group of 13.5% in 2014 improved 90 bps from 12.6% in 2013.

Snap-on Tools Group

<i>(Amounts in millions)</i>	2014		2013		Change	
Segment net sales	\$ 1,455.2	100.0%	\$ 1,358.4	100.0%	\$ 96.8	7.1%
Cost of goods sold	(824.9)	-56.7%	(772.6)	-56.9%	(52.3)	-6.8%
Gross profit	630.3	43.3%	585.8	43.1%	44.5	7.6%
Operating expenses	(407.2)	-28.0%	(391.2)	-28.8%	(16.0)	-4.1%
Segment operating earnings	\$ 223.1	15.3%	\$ 194.6	14.3%	\$ 28.5	14.6%

Segment net sales of \$1,455.2 million in 2014 increased \$96.8 million, or 7.1%, from 2013 levels. Excluding \$6.3 million of unfavorable foreign currency translation, organic sales increased \$103.1 million, or 7.6%, reflecting a high single-digit sales increase in the company's U.S. franchise operations and a mid single-digit sales gain in the company's international franchise operations.

Segment gross profit of \$630.3 million in 2014 compared to \$585.8 million in 2013. Gross margin of 43.3% in 2014 improved 20 bps from 43.1% in 2013 primarily due to benefits from the higher sales and savings from RCI initiatives, partially offset by 30 bps of unfavorable foreign currency effects. Restructuring costs included in gross profit were zero and \$0.2 million in 2014 and 2013, respectively.

Segment operating expenses of \$407.2 million in 2014 compared to \$391.2 million in 2013. The operating expense margin of 28.0% in 2014 improved 80 bps from 28.8% in 2013 primarily due to sales volume leverage. Restructuring costs included in operating expenses were zero and \$0.3 million in 2014 and 2013, respectively.

As a result of these factors, segment operating earnings of \$223.1 million in 2014, including \$5.0 million of unfavorable foreign currency effects, increased \$28.5 million from 2013 levels. Operating margin for the Snap-on Tools Group of 15.3% in 2014 improved 100 bps from 14.3% in 2013.

Repair Systems & Information Group

<i>(Amounts in millions)</i>	2014		2013		Change	
External net sales	\$ 870.4	79.5%	\$ 795.1	78.8%	\$ 75.3	9.5%

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Intersegment net sales	224.8	20.5%	214.5	21.2%	10.3	4.8%
Segment net sales	1,095.2	100.0%	1,009.6	100.0%	85.6	8.5%
Cost of goods sold	(590.9)	-54.0%	(542.0)	-53.7%	(48.9)	-9.0%
Gross profit	504.3	46.0%	467.6	46.3%	36.7	7.8%
Operating expenses	(253.1)	-23.1%	(235.7)	-23.3%	(17.4)	-7.4%
Segment operating earnings	\$ 251.2	22.9%	\$ 231.9	23.0%	\$ 19.3	8.3%

Segment net sales of \$1,095.2 million in 2014 increased \$85.6 million, or 8.5%, from 2013 levels. Excluding \$37.0 million of acquisition-related sales and \$0.5 million of unfavorable foreign currency translation, organic sales in 2014 increased \$49.1 million or 4.9%. The organic sales increase primarily reflects a high single-digit gain in sales to OEM dealerships, a mid single-digit increase in sales of diagnostic and repair information products to independent repair shop owners and managers, and a low single-digit gain in sales of undercar equipment.

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Segment gross profit of \$504.3 million in 2014 compared to \$467.6 million in 2013. Gross margin of 46.0% in 2014 decreased 30 bps from 46.3% in 2013 primarily due to a shift in sales that included higher volumes of lower gross margin products, including increased essential tool and facilitation sales to OEM dealerships, and 20 bps of higher restructuring costs. Restructuring costs included in gross profit were \$4.7 million and \$1.7 million in 2014 and 2013, respectively.

Segment operating expenses of \$253.1 million in 2014 compared to \$235.7 million in 2013. The operating expense margin of 23.1% in 2014 improved 20 bps from 23.3% in 2013 primarily due to sales volume leverage. Restructuring costs included in operating expenses were \$0.4 million and \$1.2 million in 2014 and 2013, respectively.

As a result of these factors, segment operating earnings of \$251.2 million in 2014 increased \$19.3 million from 2013 levels. Operating margin for the Repair Systems & Information Group of 22.9% in 2014 decreased 10 bps from 23.0% in 2013.

Financial Services

<i>(Amounts in millions)</i>	2014		2013		Change	
Financial services revenue	\$ 214.9	100.0%	\$ 181.0	100.0%	\$ 33.9	18.7%
Financial services expenses	(65.8)	-30.6%	(55.3)	-30.6%	(10.5)	-19.0%
Segment operating earnings	\$ 149.1	69.4%	\$ 125.7	69.4%	\$ 23.4	18.6%

Financial services revenue of \$214.9 million in 2014 increased \$33.9 million, or 18.7%, from \$181.0 million in 2013. The \$33.9 million increase in financial services revenue primarily reflects \$30.6 million of higher revenue as a result of continued growth of the company's financial services portfolio and \$1.8 million of increased revenue from higher average yields on finance receivables. In 2014 and 2013, the average yield on finance receivables was 17.6% and 17.4%, respectively, and the average yield on contract receivables was 9.5% in both years. Originations of \$888.6 million in 2014 increased \$110.9 million, or 14.3%, from 2013 levels.

Financial services expenses of \$65.8 million in 2014 compared to \$55.3 million in 2013. As a percentage of the average financial services portfolio, financial services expenses were 5.1% and 4.7% in 2014 and 2013, respectively.

Financial services operating earnings of \$149.1 million in 2014, including \$0.2 million of unfavorable foreign currency effects, increased \$23.4 million, or 18.6%, from 2013 levels.

See Note 1 to the Consolidated Financial Statements for further information on financial services.

Corporate

Snap-on's general corporate expenses of \$97.3 million in 2014 decreased \$6.0 million from \$103.3 million in 2013 primarily due to lower pension expense partially offset by higher performance-based compensation and other expenses.

Non-GAAP Supplemental Data

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The supplemental data is presented for informational purposes to provide readers with insight into the information used by management for assessing the operating performance of Snap-on Incorporated's (Snap-on) non-financial services (Operations) and Financial Services businesses.

The supplemental Operations data reflects the results of operations and financial position of Snap-on's tools, diagnostic and equipment products, software and other non-financial services operations with Financial Services on the equity method. The supplemental Financial Services data reflects the results of operations and financial position of Snap-on's U.S. and international financial services operations. The financing needs of Financial Services are met through intersegment borrowings and cash generated from Operations; Financial Services is charged interest expense on intersegment borrowings at market rates. Income taxes are charged to Financial Services on the basis of the specific tax attributes generated by the U.S. and international financial services businesses. Transactions between the Operations and Financial Services businesses were eliminated to arrive at the Consolidated Financial Statements.

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Supplemental Consolidating Data Supplemental Statements of Earnings information for 2015, 2014 and 2013 is as follows:

<i>(Amounts in millions)</i>	Operations*			Financial Services		
	2015	2014	2013	2015	2014	2013
Net sales	\$ 3,352.8	\$ 3,277.7	\$ 3,056.5	\$	\$	\$
Cost of goods sold	(1,704.5)	(1,693.4)	(1,583.6)			
Gross profit	1,648.3	1,584.3	1,472.9			
Operating expenses	(1,053.7)	(1,048.7)	(1,012.4)			
Operating earnings before financial services	594.6	535.6	460.5			
Financial services revenue				240.3	214.9	181.0
Financial services expenses				(70.1)	(65.8)	(55.3)
Operating earnings from financial services				170.2	149.1	125.7
Operating earnings	594.6	535.6	460.5	170.2	149.1	125.7
Interest expense	(51.4)	(52.2)	(54.6)	(0.5)	(0.7)	(1.5)
Intersegment interest income (expense) net	62.7	56.7	47.7	(62.7)	(56.7)	(47.7)
Other income (expense) net	(2.4)	(0.8)	(4.0)		(0.1)	0.1
Earnings before income taxes and equity earnings	603.5	539.3	449.6	107.0	91.6	76.6
Income tax expense	(181.9)	(165.8)	(138.6)	(39.3)	(33.7)	(28.1)
Earnings before equity earnings	421.6	373.5	311.0	67.7	57.9	48.5
Financial services net earnings attributable to Snap-on	67.7	57.9	48.5			
Equity earnings, net of tax	1.3	0.7	0.2			
Net earnings	490.6	432.1	359.7	67.7	57.9	48.5
Net earnings attributable to noncontrolling interests	(11.9)	(10.2)	(9.4)			
Net earnings attributable to Snap-on	\$ 478.7	\$ 421.9	\$ 350.3	\$ 67.7	\$ 57.9	\$ 48.5

* Snap-on with Financial Services on the equity method.

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Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)

Supplemental Consolidating Data Supplemental Balance Sheet Information as of 2015 and 2014 year end is as follows:

<i>(Amounts in millions)</i>	Operations*		Financial Services	
	2015	2014	2015	2014
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 92.7	\$ 132.8	\$ 0.1	\$ 0.1
Intersegment receivables	15.9	16.0		
Trade and other accounts receivable net	562.2	550.5	0.3	0.3
Finance receivables net			447.3	402.4
Contract receivables net	8.0	7.6	74.1	66.9
Inventories net	497.8	475.5		
Deferred income tax assets	91.0	85.4	18.9	15.6
Prepaid expenses and other assets	111.5	125.5	1.2	0.9
Total current assets	1,379.1	1,393.3	541.9	486.2
Property and equipment net	412.1	403.4	1.4	1.1
Investment in Financial Services	251.8	218.9		
Deferred income tax assets	105.4	92.9	0.9	0.3
Intersegment long-term notes receivable	398.7	232.1		
Long-term finance receivables net			772.7	650.5
Long-term contract receivables net	12.1	12.8	254.5	229.2
Goodwill	790.1	810.7		
Other intangibles net	195.0	203.3		
Other assets	49.9	50.9	1.0	1.0
Total assets	\$ 3,594.2	\$ 3,418.3	\$ 1,572.4	\$ 1,368.3

* Snap-on with Financial Services on the equity method.

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Supplemental Consolidating Data Supplemental Balance Sheet Information (continued):

<i>(Amounts in millions)</i>	Operations*		Financial Services	
	2015	2014	2015	2014
LIABILITIES AND EQUITY				
Current liabilities:				
Notes payable	\$ 18.4	\$ 56.6	\$	\$
Accounts payable	148.2	144.7	0.1	0.3
Intersegment payables			15.9	16.0
Accrued benefits	52.1	53.8		
Accrued compensation	86.9	95.2	4.1	4.0
Franchisee deposits	64.4	65.8		
Other accrued liabilities	277.7	285.0	25.0	18.2
Total current liabilities	647.7	701.1	45.1	38.5
Long-term debt and intersegment long-term debt				
			1,260.4	1,094.8
Deferred income tax liabilities	169.6	158.6	0.2	0.6
Retiree health care benefits	37.9	42.5		
Pension liabilities	227.8	217.9		
Other long-term liabilities	80.5	72.9	14.9	15.5
Total liabilities	1,163.5	1,193.0	1,320.6	1,149.4
Total shareholders' equity attributable to Snap-on				
	2,412.7	2,207.8	251.8	218.9
Noncontrolling interests	18.0	17.5		
Total equity	2,430.7	2,225.3	251.8	218.9
Total liabilities and equity	\$ 3,594.2	\$ 3,418.3	\$ 1,572.4	\$ 1,368.3

* Snap-on with Financial Services on the equity method.

Table of Contents*Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)***Liquidity and Capital Resources**

Snap-on's growth has historically been funded by a combination of cash provided by operating activities and debt financing. Snap-on believes that its cash from operations and collections of finance receivables, coupled with its sources of borrowings and available cash on hand, are sufficient to fund its currently anticipated requirements for payments of interest and dividends, scheduled debt payments (including the January 15, 2017 repayment of \$150 million of unsecured notes at maturity), new receivables originated by our financial services businesses, capital expenditures, working capital, restructuring activities, the funding of pension plans, and funding for share repurchases and acquisitions, as they arise. Due to Snap-on's credit rating over the years, external funds have been available at an acceptable cost. As of the close of business on February 5, 2016, Snap-on's long-term debt and commercial paper were rated, respectively, A3 and P-2 by Moody's Investors Service; A- and A-2 by Standard & Poor's; and A- and F2 by Fitch Ratings. Snap-on believes that its current credit arrangements are sound and that the strength of its balance sheet affords the company the financial flexibility to respond to both internal growth opportunities and those available through acquisitions. However, Snap-on cannot provide any assurances of the availability of future financing or the terms on which it might be available, or that its debt ratings may not decrease.

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

As of 2015 year end, working capital (current assets less current liabilities) of \$1,228.2 million increased \$88.3 million from \$1,139.9 million as of 2014 year end.

The following represents the company's working capital position as of 2015 and 2014 year end:

<i>(Amounts in millions)</i>	2015	2014
Cash and cash equivalents	\$ 92.8	\$ 132.9
Trade and other accounts receivable net	562.5	550.8
Finance receivables net	447.3	402.4
Contract receivables net	82.1	74.5
Inventories net	497.8	475.5
Other current assets	216.2	222.5
Total current assets	1,898.7	1,858.6
Notes payable	(18.4)	(56.6)
Accounts payable	(148.3)	(145.0)
Other current liabilities	(503.8)	(517.1)
Total current liabilities	(670.5)	(718.7)
Working capital	\$ 1,228.2	\$ 1,139.9

Cash and cash equivalents of \$92.8 million as of 2015 year end decreased \$40.1 million from 2014 year-end levels primarily due to (i) the funding of \$844.2 million of new finance receivables; (ii) dividend payments to shareholders of \$127.9 million; (iii) the repurchase of 723,000

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shares of the company's common stock for \$110.4 million; (iv) the funding of \$80.4 million of capital expenditures; (v) the net repayment of \$34.0 million of notes payable and other short-term borrowings; and (vi) the acquisition of Ecotechnics for \$11.8 million. These decreases in cash and cash equivalents were partially offset by (i) \$624.8 million of cash from collections of finance receivables; (ii) \$496.5 million of cash generated from operations; and (iii) \$41.6 million of cash proceeds from stock purchase and option plan exercises.

Of the \$92.8 million of cash and cash equivalents as of January 2, 2016, \$63.3 million was held outside of the United States. Snap-on maintains non-U.S. funds in its foreign operations to (i) provide adequate working capital; (ii) satisfy various regulatory requirements; and/or (iii) take advantage of business expansion opportunities as they arise. The repatriation of cash from certain foreign subsidiaries could have adverse net tax consequences on the company should Snap-on be required to pay and record U.S. income taxes and foreign withholding taxes on such funds. Alternatively, the repatriation of cash from certain other foreign subsidiaries could result in favorable net tax consequences for the company. Snap-on periodically evaluates its cash held outside the United States and may pursue opportunities to repatriate certain foreign cash amounts to the extent that it does not incur unfavorable net tax consequences.

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Trade and other accounts receivable net of \$562.5 million as of 2015 year end increased \$11.7 million from 2014 year-end levels; excluding \$23.7 million of currency translation impacts, trade and other accounts receivable net increased \$35.4 million primarily due to higher organic sales, as well as receivables related to Ecotechnics. Days sales outstanding (trade and other accounts receivable net as of the respective period end, divided by the respective trailing 12 months sales, times 360 days) was 60 days at 2015 year end and 61 days at 2014 year end.

The current portions of net finance and contract receivables of \$529.4 million as of 2015 year end compared to \$476.9 million at 2014 year end. The long-term portions of net finance and contract receivables of \$1,039.3 million as of 2015 year end compared to \$892.5 million at 2014 year end. The combined \$199.3 million increase in net current and long-term finance and contract receivables over 2014 year-end levels is primarily due to continued growth of the company's financial services portfolio; excluding \$19.4 million of currency translation impacts, the combined increase for these receivables over 2014 year-end levels was \$218.7 million.

Inventories net of \$497.8 million as of 2015 year end increased \$22.3 million from 2014 year-end levels; excluding \$22.5 million of currency translation impacts, inventories increased \$44.8 million primarily to support continued higher customer demand and new product introductions, as well as inventories related to Ecotechnics. As of 2015 and 2014 year end, inventory turns (trailing 12 months of cost of goods sold, divided by the average of the beginning and ending inventory balance for the trailing 12 months) were 3.5 turns and 3.7 turns, respectively. Inventories accounted for using the first-in, first-out (FIFO) method as of 2015 and 2014 year end approximated 57% and 58%, respectively, of total inventories. All other inventories are accounted for using the last-in, first-out (LIFO) method. The company's LIFO reserve was \$73.3 million and \$72.6 million as of 2015 and 2014 year end, respectively.

As of 2015 year end, notes payable totaled \$18.4 million; there were no commercial paper borrowings outstanding as of 2015 year end. Notes payable of \$56.6 million as of 2014 year end included \$37.0 million of commercial paper borrowings and \$19.6 million of other notes. There were no current maturities of long-term debt as of 2015 and 2014 year end.

Average notes payable outstanding were \$78.5 million in 2015 and \$45.4 million in 2014. The weighted-average interest rate on notes payable was 4.36% in 2015 and 5.42% in 2014. As of 2015 and 2014 year end, the weighted-average interest rate on outstanding notes payable was 15.82% and 4.86%, respectively. The weighted-average interest rates in both years reflect local borrowings in emerging growth markets where interest rates are generally higher. The lower weighted-average interest rate of 4.86% on outstanding notes payable as of 2014 year end benefited from lower interest rates on commercial paper borrowings; no commercial paper was outstanding at 2015 year end.

Accounts payable of \$148.3 million as of 2015 year end compared to \$145.0 million at 2014 year end; excluding \$5.1 million of currency translation impacts, accounts payable increased \$8.4 million primarily due to the timing of payments and accounts payable related to Ecotechnics.

Other accrued liabilities of \$296.3 million as of 2015 year end compared to \$298.3 million at 2014 year end; excluding \$10.3 million of currency translation impacts, other accrued liabilities increased \$8.3 million.

Long-term debt of \$861.7 million as of 2015 year end consisted of (i) \$150 million of unsecured 5.50% notes that mature on January 15, 2017; (ii) \$250 million of unsecured 4.25% notes that mature in 2018; (iii) \$200 million of unsecured 6.70% notes that mature in 2019; (iv) \$250 million of unsecured 6.125% notes that mature in 2021; and (v) \$11.7 million of other long-term debt, including fair value adjustments related to interest rate swaps. As of 2015 year end, the \$150 million of unsecured notes that mature on January 15, 2017, were included in Long-term debt on the accompanying Consolidated Balance Sheet as their scheduled maturity was in excess of one year of the 2015 year-end balance sheet date.

On December 15, 2015, Snap-on amended and restated its \$700 million multi-currency revolving credit facility that was set to terminate on September 27, 2018, by entering into a new five-year, \$700 million multi-currency revolving credit facility that terminates on December 15, 2020 (the Credit Facility); no amounts were outstanding under the Credit Facility as of 2015 year end. Borrowings under the Credit Facility bear interest at varying rates based on Snap-on's then-current, long-term debt ratings. The Credit Facility's financial covenant requires that Snap-on maintain, as of each fiscal quarter end, either (i) a ratio not greater than 0.60 to 1.00 of consolidated net debt (consolidated debt net of certain cash adjustments) to the sum of such consolidated net debt plus total equity and less accumulated other comprehensive income or loss (the Debt Ratio); or (ii) a ratio not greater than 3.50 to 1.00 of such consolidated net debt to earnings before interest, taxes, depreciation, amortization and certain other adjustments for the preceding four fiscal quarters then ended (the Debt to EBITDA Ratio). Snap-on may, up to two times during

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any five-year period during the term of the Credit Facility (including any extensions thereof), increase the maximum Debt Ratio to 0.65 to 1.00 and/or increase the maximum Debt to EBITDA Ratio to 3.75 to 1.00 for four consecutive fiscal quarters in connection with certain material acquisitions (as defined in the related credit agreement). As of 2015 year end, the company's actual ratios of 0.23 and 0.95, respectively, were both within the permitted ranges set forth in this financial covenant.

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Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)

Snap-on's Credit Facility and other debt agreements also contain certain usual and customary borrowing, affirmative, negative and maintenance covenants. As of 2015 year end, Snap-on was in compliance with all covenants of its Credit Facility and other debt agreements.

Snap-on believes it has sufficient available cash and access to both committed and uncommitted credit facilities to cover its expected funding needs on both a short-term and long-term basis. Snap-on manages its aggregate short-term borrowings so as not to exceed its availability under the revolving Credit Facility. Snap-on believes that it could access short-term debt markets, predominantly through commercial paper issuances and existing lines of credit, to fund its short-term requirements and to ensure near-term liquidity. Snap-on regularly monitors the credit and financial markets and, in the future, may take advantage of what it believes are favorable market conditions to issue long-term debt to further improve its liquidity and capital resources. Near-term liquidity requirements for Snap-on include payments of interest and dividends, scheduled debt payments (including the January 15, 2017 repayment of \$150 million of unsecured notes at maturity), funding to support new receivables originated by our financial services businesses, capital expenditures, working capital, restructuring activities, the funding of pension plans, and funding for share repurchases and acquisitions, as they arise. Snap-on intends to make contributions of \$7.4 million to its foreign pension plans and \$2.0 million to its domestic pension plans in 2016, as required by law. Depending on market and other conditions, Snap-on may make discretionary cash contributions to its pension plans in 2016.

Snap-on's long-term financing strategy is to maintain continuous access to the debt markets to accommodate its liquidity needs, including the use of commercial paper, additional fixed-term debt and/or securitizations.

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

Operating Activities

Net cash provided by operating activities of \$496.5 million in 2015 compared to \$397.9 million in 2014. The \$98.6 million increase in net cash provided by operating activities primarily reflects higher 2015 net earnings and net changes in operating assets and liabilities. Net cash provided by operating activities was \$392.6 million in 2013.

Depreciation expense was \$57.8 million in 2015, \$54.8 million in 2014 and \$51.2 million in 2013. Amortization expense was \$24.7 million in both 2015 and 2014, and \$25.5 million in 2013. See Note 6 to the Consolidated Financial Statements for information on goodwill and other intangible assets.

Investing Activities

Net cash used by investing activities of \$306.4 million in 2015 included additions to, and collections of, finance receivables of \$844.2 million and \$624.8 million, respectively. Net cash used by investing activities of \$273.2 million in 2014 included additions to, and collections of, finance receivables of \$746.2 million and \$591.4 million, respectively. Net cash used by investing activities of \$250.4 million in 2013 included additions to, and collections of, finance receivables of \$651.3 million and \$508.8 million, respectively. Finance receivables are comprised of extended-term installment payment contracts to both technicians and independent shop owners (i.e., franchisees' customers) to enable them to purchase tools and diagnostic and equipment products on an extended-term payment plan, generally with expected average payment terms of three years.

Net cash used by investing activities in 2015 included \$11.8 million for the acquisition of Ecotechnics. Net cash used by investing activities in 2014 included \$41.3 million for the acquisition of Pro-Cut. Net cash used by investing activities in 2013 included \$38.2 million for the acquisition of Challenger. See Note 2 to the Consolidated Financial Statements for information on acquisitions.

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Capital expenditures in 2015, 2014 and 2013 totaled \$80.4 million, \$80.6 million and \$70.6 million, respectively. Capital expenditures in all three years included investments to support the company's execution of its Value Creation Processes and strategic growth initiatives. The company also invested in (i) new product, efficiency, safety and cost reduction initiatives to expand and improve its manufacturing capabilities worldwide; (ii) new production and machine tooling to enhance manufacturing operations, as well as ongoing replacements of manufacturing and distribution equipment, particularly in the United States; (iii) the ongoing replacement and enhancement of the company's global enterprise resource planning (ERP) management information systems; and (iv) improvements in the company's corporate headquarters and research and development facilities in Kenosha, Wisconsin. In 2015, the company also acquired a previously leased U.K. manufacturing facility. Snap-on believes that its cash generated from operations, as well as its available cash on hand and funds available from its credit facilities will be sufficient to fund the company's capital expenditure requirements in 2016.

Financing Activities

Net cash used by financing activities of \$226.0 million in 2015 included the net repayment of \$34.0 million of notes payable and other short-term borrowings. Net cash used by financing activities of \$206.9 million in 2014 included the repayment of \$100.0 million of unsecured notes at maturity, partially offset by \$45.0 million of proceeds from a net increase in notes payable and other short-term borrowings. Net cash used by financing activities was \$137.8 million in 2013.

Proceeds from stock purchase and option plan exercises totaled \$41.6 million in 2015, \$33.0 million in 2014 and \$29.2 million in 2013. Snap-on has undertaken stock repurchases from time to time to offset dilution created by shares issued for employee and franchisee stock purchase plans, stock options and other corporate purposes. In 2015, Snap-on repurchased 723,000 shares of its common stock for \$110.4 million under its previously announced share repurchase programs. As of 2015 year end, Snap-on had remaining availability to repurchase up to an additional \$230.6 million in common stock pursuant to its Board of Directors' (the Board) authorizations. The purchase of Snap-on common stock is at the company's discretion, subject to prevailing financial and market conditions. Snap-on repurchased 680,000 shares of its common stock for \$79.3 million in 2014 and Snap-on repurchased 926,000 shares of its common stock for \$82.6 million in 2013. Snap-on believes that its cash generated from operations, available cash on hand, and funds available from its credit facilities, will be sufficient to fund the company's share repurchases, if any, in 2016.

Snap-on has paid consecutive quarterly cash dividends, without interruption or reduction, since 1939. Cash dividends paid in 2015, 2014 and 2013 totaled \$127.9 million, \$107.6 million and \$92.0 million, respectively. On November 9, 2015, the company announced that its Board increased the quarterly cash dividend by 15.1% to \$0.61 per share (\$2.44 per share annualized). Quarterly dividends in 2015 were \$0.61 per share in the fourth quarter and \$0.53 per share in the first three quarters (\$2.20 per share for the year). Quarterly dividends in 2014 were \$0.53 per share in the fourth quarter and \$0.44 per share in the first three quarters (\$1.85 per share for the year). Quarterly dividends in 2013 were \$0.44 per share in the fourth quarter and \$0.38 per share in the first three quarters (\$1.58 per share for the year).

	2015	2014	2013
Cash dividends paid per common share	\$ 2.20	\$ 1.85	\$ 1.58
Cash dividends paid as a percent of prior-year retained earnings	4.8%	4.6%	4.5%

Snap-on believes that its cash generated from operations, available cash on hand and funds available from its credit facilities will be sufficient to pay dividends in 2016.

Off-Balance-Sheet Arrangements

Except as included below in the section labeled Contractual Obligations and Commitments and Note 15 to the Consolidated Financial Statements, the company had no off-balance-sheet arrangements as of 2015 year end.

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A summary of Snap-on's future contractual obligations and commitments as of 2015 year end are as follows:

<i>(Amounts in millions)</i>	Total	2016	2017	2018	2019	2020	2021 and thereafter
Contractual obligations:							
Notes payable	\$ 18.4	\$ 18.4	\$		\$		\$
Long-term debt	861.7		400.0		200.0		261.7
Interest on fixed rate debt	159.5	47.6	68.8		32.8		10.3
Operating leases	79.0	22.4	30.0		15.6		11.0
Capital leases	24.1	4.8	6.7		4.8		7.8
Purchase obligations	58.7	51.3	6.3		1.1		
Total	\$ 1,201.4	\$ 144.5	\$ 511.8		\$ 254.3		\$ 290.8

Snap-on intends to make contributions of \$7.4 million to its foreign pension plans and \$2.0 million to its domestic pension plans in 2016, as required by law. Depending on market and other conditions, Snap-on may make discretionary cash contributions to its pension plans in 2016. Snap-on has not presented estimated pension and postretirement funding contributions in the table above as the funding can vary from year to year based on changes in the fair value of the plan assets and actuarial assumptions; see Notes 11 and 12 to the Consolidated Financial Statements for information on the company's benefit plans and payments.

Due to the uncertainty of the timing of settlements with taxing authorities, Snap-on is unable to make reasonably reliable estimates of the period of cash settlement of unrecognized tax benefits for its remaining uncertain tax liabilities. As a result, \$7.2 million of unrecognized tax benefits have been excluded from the table above; see Note 8 to the Consolidated Financial Statements for information on income taxes.

Environmental Matters

Snap-on is subject to various federal, state and local government requirements regulating the discharge of materials into the environment or otherwise relating to the protection of the environment. Snap-on's policy is to comply with these requirements and the company believes that, as a general matter, its policies, practices and procedures are properly designed to prevent unreasonable risk of environmental damage, and of resulting financial liability, in connection with its business. Some risk of environmental damage is, however, inherent in some of Snap-on's operations and products, as it is with other companies engaged in similar businesses.

Snap-on is and has been engaged in the handling, manufacture, use and disposal of many substances classified as hazardous or toxic by one or more regulatory agencies. Snap-on believes that, as a general matter, its handling, manufacture, use and disposal of these substances are in accordance with environmental laws and regulations. It is possible, however, that future knowledge or other developments, such as improved capability to detect substances in the environment or increasingly strict environmental laws and standards and enforcement policies, could bring into question the company's handling, manufacture, use or disposal of these substances.

Affordable Care Act

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The Affordable Care Act (the ACA), which was adopted in 2010 and continues to be phased in, significantly affects the provision of both health care services and benefits in the United States; the ACA may impact our cost of providing our employees and retirees with health insurance and/or benefits, and may also impact various other aspects of our business. The ACA did not have a material impact on our fiscal 2015, 2014 or 2013 financial results.

New Accounting Standards

See Note 1 to the Consolidated Financial Statements for information on new accounting standards.

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Critical Accounting Policies and Estimates

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 accounting principles generally accepted in the United States of America (U.S. GAAP) 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. These estimates are generally based on historical experience, current conditions and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily available from other sources, as well as identifying and assessing our accounting treatment with respect to commitments and contingencies. Actual results could differ from those estimates.

In addition to the company's significant accounting policies described in Note 1 to the Consolidated Financial Statements, Snap-on considers the following policies and estimates to be the most critical in understanding the judgments that are involved in the preparation of the company's consolidated financial statements and the uncertainties that could impact the company's financial position, results of operations and cash flows.

Impairment of Goodwill and Other Indefinite-lived Intangible Assets: Goodwill and other indefinite-lived intangible assets are tested for impairment annually or more frequently if events or changes in circumstances indicate that the assets might be impaired. Annual impairment tests are performed by the company in the second quarter of each year using information available as of fiscal April month end.

Snap-on evaluates the recoverability of goodwill by estimating the future discounted cash flows of the businesses to which the goodwill relates. Estimated cash flows and related goodwill are grouped at the reporting unit level. The company has determined that its reporting units for testing goodwill impairment are its operating segments or components of an operating segment that constitute a business for which discrete financial information is available and for which segment management regularly reviews the operating results. Within its four reportable operating segments, the company has identified 11 reporting units.

Snap-on evaluates the recoverability of goodwill by utilizing an income approach that estimates the fair value of the future discounted cash flows of the reporting units to which the goodwill relates. The future projections, which are based on both past performance and the projections and assumptions used in the company's operating plans, are subject to change as a result of changing economic and competitive conditions. This approach reflects management's internal outlook at the reporting units, which management believes provides the best determination of value due to management's insight and experience with the reporting unit. Significant estimates used by management in the discounted cash flows methodology include estimates of future cash flows based on expected growth rates, price increases, working capital levels, expected benefits from RCI initiatives, and a weighted-average cost of capital that reflects the specific risk profile of the reporting unit being tested. The company's methodologies for valuing goodwill are applied consistently on a year-over-year basis; the assumptions used in performing the second quarter 2015 impairment calculations were evaluated in light of then-current market and business conditions. Snap-on continues to believe that the future discounted cash flow valuation model provides the most reasonable and meaningful fair value estimate based upon the reporting units' projections of future operating results and cash flows and replicates how market participants would value the company's reporting units in an orderly transaction.

In the event the fair value of a reporting unit is less than the carrying value, including goodwill, the company would then perform an additional assessment that would compare the implied fair value of goodwill with the carrying amount of goodwill. The determination of implied fair value of goodwill would require management to compare the estimated fair value of the reporting unit to the estimated fair value of the assets and liabilities of the reporting unit; if necessary, the company may consult with valuation specialists to assist with the assessment of the estimated fair value of the assets and liabilities of the reporting unit. If the implied fair value of the goodwill is less than the carrying value, an impairment loss would be recorded.

Snap-on also evaluates the recoverability of its indefinite-lived trademarks by utilizing an income approach that estimates the fair value of the future discounted cash flows of each of its trademarks. The future projections, which are based on both past performance and the projections and assumptions used in the company's operating plans, are subject to change as a result of changing economic and competitive conditions. Significant estimates used by management in the discounted cash flows methodology include estimates of future cash flows based on expected growth and royalty rates, expected synergies, and a weighted-average cost of capital that reflects the specific risk profile of the trademark being

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tested. The company's methodologies for valuing trademarks are applied consistently on a year-over-year basis; the assumptions used in performing the second quarter 2015 impairment calculations were evaluated in light of then-current market and business conditions. Snap-on continues to believe that the future discounted cash flow valuation model provides the most reasonable and meaningful fair value estimate based upon the trademarks' projected future cash flows and replicates how market participants would value the company's trademarks in an orderly transaction.

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Inherent in fair value determinations are significant judgments and estimates, including material assumptions about future revenue, profitability and cash flows, the company's operational plans and its interpretation of current economic indicators. Should the operations of the businesses with which goodwill or other indefinite-lived intangible assets are associated incur significant declines in profitability and cash flow due to significant and long-term deterioration in macroeconomic, industry and market conditions, the loss of key customers, changes in technology or markets, significant changes in key personnel or litigation, a significant and sustained decrease in share price and/or other events, including effects from the sale or disposal of a reporting unit, some or all of the recorded goodwill or other indefinite-lived intangible assets could be subject to impairment and could result in a material adverse effect on Snap-on's financial position or results of operations.

Snap-on completed its annual impairment testing of goodwill and other indefinite-lived intangible assets in the second quarter of 2015, the results of which did not result in any impairment. As of 2015 year end, the company has no accumulated impairment losses. Although the company consistently uses the same methods in developing the assumptions and estimates underlying the fair value calculations, such estimates are uncertain by nature and can vary from actual results. In performing its annual impairment testing the company performed a sensitivity analysis on the material assumptions used in the discounted cash flow valuation models for each of its 11 reporting units. Based on the company's second quarter 2015 impairment testing and assuming a hypothetical 10% decrease in the estimated fair values of each of its 11 reporting units, the hypothetical fair value of each of the company's 11 reporting units would have been greater than its carrying value. See Note 6 to the Consolidated Financial Statements for further information about goodwill and other intangible assets.

Impairment of Long-lived and Amortized Intangible Assets: Snap-on performs impairment evaluations of its long-lived assets, including property, plant and equipment and intangible assets with finite lives, whenever business conditions or events indicate that those assets may be impaired. When the estimated future undiscounted cash flows to be generated by the assets are less than the carrying value of the long-lived assets, the assets are written down to fair market value and a charge is recorded to current operations.

Significant and unanticipated changes in circumstances, such as significant declines in profitability and cash flow due to significant and long-term deterioration in macroeconomic, industry and market conditions, the loss of key customers, changes in technology or markets and/or other events, including effects from the sale or disposal of a reporting unit, could require a provision for impairment in a future period.

Pension Benefits: The pension benefit obligation and related pension expense are calculated in accordance with U.S. GAAP and are impacted by certain actuarial assumptions. 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 believes that the two most critical assumptions are (i) the expected return on plan assets; and (ii) the assumed discount rate.

Pension expense increases as the expected rate of return on plan assets decreases. Lowering the expected rate of return assumption for Snap-on's domestic pension plan assets by 50 bps would have increased Snap-on's 2015 domestic pension expense by approximately \$4.6 million. Snap-on uses a three-year, market-related value asset method of amortizing the difference between actual and expected returns on its domestic plans assets.

The objective of Snap-on's discount rate assumption is to reflect the rate at which the pension benefits could be effectively settled. In making this determination, the company takes into account the timing and amount of benefits that would be available under the plans. The domestic discount rate as of 2015 and 2014 year end was selected based on a cash flow matching methodology developed by the company's outside actuaries and which incorporates a review of current economic conditions. This methodology matches the plans' yearly projected cash flows for benefits and, starting in 2015, service costs to those of hypothetical bond portfolios using high-quality, AA rated or better, corporate bonds from either Moody's Investors Service or Standard & Poor's credit rating agencies available at the measurement date. This technique calculates bond portfolios that produce adequate cash flows to pay the plans' projected yearly benefits and then selects the portfolio with the highest yield and uses that yield as the recommended discount rate.

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The selection of the 4.7% weighted-average discount rate for Snap-on's domestic pension plans as of 2015 year end represents the single rate that produces the same present value of cash flows as the estimated benefit plan payments. Lowering Snap-on's domestic discount rate assumption by 50 bps would have increased Snap-on's 2015 domestic pension expense and projected benefit obligation by approximately \$6.1 million and \$59.2 million, respectively. As of 2015 year end, Snap-on's domestic projected benefit obligation comprised approximately 83% of Snap-on's worldwide projected benefit obligation. The weighted-average discount rate for Snap-on's foreign pension plans of 3.7% represents the single rate that produces the same present value of cash flows as the estimated benefit plan payments. Lowering Snap-on's foreign discount rate assumption by 50 bps would have increased Snap-on's 2015 foreign pension expense and projected benefit obligation by approximately \$1.7 million and \$20.7 million, respectively.

Actuarial gains and losses in excess of 10 percent of the greater of the projected benefit obligation or market-related value of assets are amortized on a straight-line basis over the average remaining service period of active participants or over the average remaining life expectancy for plans with primarily inactive participants. Prior service costs and credits resulting from plan amendments are amortized in equal annual amounts over the average remaining service period of active participants or over the average remaining life expectancy for plans with primarily inactive participants. See Note 11 to the Consolidated Financial Statements for further information on pension plans.

Outlook

Snap-on expects to make continued progress in 2016 along its defined runways for coherent growth, leveraging capabilities already demonstrated in the automotive repair arena and developing and expanding its professional customer base, not only in automotive repair, but in adjacent markets, additional geographies and other areas, including in critical industries, where the cost and penalties for failure can be high. In pursuit of these initiatives, Snap-on expects that capital expenditures in 2016 will be in a range of \$80 million to \$90 million. Snap-on also anticipates that its full year 2016 effective income tax rate will be comparable to its 2015 full year rate.

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Item 7A: 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 foreign currency exchange rates and interest rates. Snap-on is also exposed to market risk associated with the stock-based portion of its deferred compensation plans. Snap-on monitors its exposure to these risks and attempts to manage the underlying economic exposures through the use of financial instruments such as foreign currency forward contracts, interest rate swap agreements, treasury lock agreements and prepaid equity forward agreements (equity forwards). Snap-on does not use derivative instruments for speculative or trading purposes. Snap-on's broad-based business activities help to reduce the impact that volatility in any particular area or related areas may have on its operating earnings as a whole. Snap-on's management takes an active role in the risk management process and has developed policies and procedures that require specific administrative and business functions to assist in the identification, assessment and control of various risks.

Foreign Currency Risk Management

Snap-on has significant international operations and is subject to certain risks inherent with foreign operations that include currency fluctuations. Foreign exchange risk exists to the extent that Snap-on has payment obligations or receipts denominated in currencies other than the functional currency, including intercompany loans denominated in foreign currencies. To manage these exposures, Snap-on identifies naturally offsetting positions and then purchases hedging instruments to protect the residual net exposures. See Note 10 to the Consolidated Financial Statements for information on foreign currency risk management.

Interest Rate Risk Management

Snap-on aims to control funding costs by managing the exposure created by the differing maturities and interest rate structures of Snap-on's borrowings through the use of interest rate swap agreements. Treasury lock agreements are used from time to time to manage potential changes in interest rates in anticipation of the issuance or sale of certain financial instruments. See Note 10 to the Consolidated Financial Statements for information on interest rate risk management.

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, as of 2015 and 2014 year end was \$0.6 million and \$1.2 million, respectively, on interest rate-sensitive financial instruments, and \$0.5 million and \$0.4 million, respectively, 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.

Stock-based Deferred Compensation Risk Management

Snap-on aims to manage market risk associated with the stock-based portion of its deferred compensation plans through the use of equity forwards. Equity forwards are used to aid in offsetting the potential mark-to-market effect on stock-based deferred compensation from changes in Snap-on's stock price. Since stock-based deferred compensation liabilities increase as the company's stock price rises and decrease as the company's stock price declines, the equity forwards are intended to mitigate the potential impact on compensation expense that may result from such mark-to-market changes. See Note 10 to the Consolidated Financial Statements for additional information on stock-based deferred compensation risk management.

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Credit Risk

Credit risk is the possibility of loss from a customer's failure to make payments according to contract terms. Prior to extending credit, each customer is evaluated, taking into consideration the customer's financial condition, collateral, debt-servicing ability, past payment experience, credit bureau information, and other financial and qualitative factors that may affect the customer's ability to repay. Credit risk is also monitored regularly through the use of internal proprietary, custom scoring models used to evaluate each transaction at the time of the application for credit and by periodically updating those credit scores for ongoing monitoring purposes. Snap-on evaluates credit quality through the use of an internal proprietary measuring system that provides a framework to analyze finance and contract receivables on the basis of risk factors of the individual obligor as well as transaction specific risk. The finance and contract receivables are typically monitored through an asset quality review process that closely monitors past due accounts and initiates a progressive collection action process when appropriate.

Counterparty Risk

Snap-on is exposed to credit losses in the event of non-performance by the counterparties to its various financial agreements, including its foreign currency forward contracts, interest rate swap agreements and prepaid equity forward agreements. Snap-on does not obtain collateral or other security to support financial instruments subject to credit risk, but monitors the credit standing of the counterparties and generally enters into agreements with financial institution counterparties with a credit rating of A- or better. Snap-on does not anticipate non-performance by its counterparties, but cannot provide assurances.

Economic Risk

Economic risk is the possibility of loss resulting from economic instability in certain areas of the world. Snap-on continually monitors its exposure in these markets. Inflation has not had a significant impact on the company.

As a result of the above market, credit and economic risks, net earnings and revenues in any particular period may not be representative of full-year results and may vary significantly from year to year.

Commodity Risk

Snap-on is a purchaser of certain commodities such as steel, natural gas and electricity. The company is also a purchaser of components and parts that are integrated into the company's end products, as well as the purchaser of certain finished goods, all of which may contain various commodities including steel, aluminum and others. Snap-on's supply of raw materials and purchased components are generally and readily available from numerous suppliers.

The principal raw material used in the manufacture of the company's products is steel, which the company purchases in competitive, price-sensitive markets. To meet Snap-on's high quality standards, the company's steel needs range from specialized alloys, which are available only from a limited group of approved suppliers, to commodity types of alloys. These raw materials have historically exhibited price and demand cyclicalities. Some of these materials have been, and in the future may be, in short supply, particularly in the event of a general economic recovery, mill shutdowns or production cut backs. As some steel alloys require specialized manufacturing procedures, Snap-on could experience inventory shortages if it were required to use an alternative manufacturer on short notice. Additionally, unexpected price increases for raw materials could result in higher prices to Snap-on's customers or an erosion of the margins on its products.

Snap-on believes its ability to sell product is also dependent on the number of vehicles on the road, the number of miles driven and the general aging of vehicles. These factors affect the frequency, type and amount of service and repair performed on vehicles by technicians, and therefore affect the demand for the number of technicians, the prosperity of the technicians and, consequently, the demand technicians have for the company's tools, other products and services, and the value technicians place on those products and services. The use of other methods of transportation, including more frequent use of public transportation, could result in a decrease in the use of privately operated vehicles. A decrease in the use of privately operated vehicles may lead to fewer repairs and less demand for the company's products.

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To the extent that commodity prices increase and the company does not have firm pricing agreements with its suppliers, the company may experience margin declines to the extent that it is not able to increase the selling prices of its products.

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Item 8: Financial Statements and Supplementary Data

The financial statements and schedules are listed in Item 15(a) and are incorporated by reference into this Item 8.

Item 9: Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

None.

Item 9A: Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Snap-on maintains a system of disclosure controls and procedures that is designed to provide reasonable assurance that material information relating to the company and its consolidated subsidiaries is timely communicated to the officers who certify Snap-on's financial reports and to other members of senior management and the Board, as appropriate.

In accordance with Rule 13a-15(b) of the Securities Exchange Act of 1934 (the Exchange Act), the company's management evaluated, with the participation of the Chief Executive Officer and Chief Financial Officer, the effectiveness of the design and operation of the company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of January 2, 2016. Based upon their evaluation of these disclosure controls and procedures, the Chief Executive Officer and Chief Financial Officer concluded that the disclosure controls and procedures were effective as of January 2, 2016, to ensure that information required to be disclosed by the company in the reports it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time period specified in the Securities and Exchange Commission rules and forms, and to ensure that information required to be disclosed by the company in the reports it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control

There has not been any change in the company's internal control over financial reporting during the quarter ended January 2, 2016, that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting (as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f)).

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended). Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we evaluated the effectiveness of our internal control over financial reporting based on the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control - Integrated Framework (2013)*. Based on this assessment, the company's management believes that, as of January 2, 2016, our internal control over financial reporting was effective at a reasonable assurance level. The company's internal control over financial reporting as of January 2, 2016, has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their attestation report, which is included herein.

Our management, including the Chief Executive Officer and Chief Financial Officer, does not expect that our internal control over financial reporting will prevent all error or fraud. Because of inherent limitations, a system of internal control over financial reporting can provide only reasonable assurance and may not prevent or detect misstatements. Further, because of changes in conditions, the effectiveness of internal control over financial reporting may vary over time.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of

Snap-on Incorporated:

We have audited the internal control over financial reporting of Snap-on Incorporated and subsidiaries (the Company) as of January 2, 2016, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of January 2, 2016, based on the criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements of the Company as of and for the year ended January 2, 2016, and our report dated February 11, 2016, expressed an unqualified opinion on those financial statements.

/s/ Deloitte & Touche LLP
DELOITTE & TOUCHE LLP

Milwaukee, Wisconsin

February 11, 2016

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Item 9B: Other Information

None.

PART III

Item 10: Directors, Executive Officers and Corporate Governance

Incorporated by reference to sections entitled Item 1: Election of Directors, Corporate Governance Practices and Board Information and Other Information in Snap-on's 2016 Annual Meeting Proxy Statement, which is expected to be mailed to shareholders on or about March 11, 2016 (the 2016 Proxy Statement).

The Section 16(a) filing compliance disclosure pursuant to Item 405 of Regulation S-K is contained in Snap-on's 2016 Proxy Statement in the section entitled Other Information Section 16(a) Beneficial Ownership Reporting Compliance, and is incorporated herein by reference.

Information regarding Snap-on's executive officers, including their ages, business experience (for at least the last five years) and titles as of January 2, 2016, is presented below:

Nicholas T. Pinchuk (69) Chairman of the Board of Directors since 2009, President and Chief Executive Officer since December 2007 and President and Chief Operating Officer from April to December 2007. Senior Vice President and President Worldwide Commercial & Industrial Group from 2002 to 2007. Prior to joining Snap-on, Mr. Pinchuk held various positions, including President of Global Refrigeration Operations and President of Asia Pacific Operations, at Carrier Corporation, a producer of air conditioning, heating and refrigeration systems, and a subsidiary of United Technologies Corporation. Mr. Pinchuk serves on the board of directors of Columbus McKinnon Corporation.

Aldo J. Pagliari (61) Senior Vice President Finance and Chief Financial Officer since 2010. President Snap-on Equipment from 2007 to 2010, and Group Controller / Director of Finance Commercial & Industrial Group from 2002 to 2007.

Anup R. Banerjee (65) Senior Vice President, Human Resources and Chief Development Officer since August 2015. President, Commercial Group from 2011 to August 2015 and Vice President, Operations Process from 2007 to 2011.

Iain Boyd (53) Vice President, Operations Development since August 2015. Vice President Human Resources from 2007 to August 2015.

Constance R. Johnsen (58) Vice President and Controller since 2003.

Thomas L. Kassouf (63) Senior Vice President and President Snap-on Tools Group since 2010. Senior Vice President and President Commercial Division from 2007 to 2010.

Jeanne M. Moreno (61) Vice President and Chief Information Officer since 2005.

Irwin M. Shur (57) Vice President, General Counsel and Secretary since 2008.

Thomas J. Ward (63) Senior Vice President and President Repair Systems & Information Group since 2010. Senior Vice President and President Snap-on Tools Group from 2007 to 2010.

There is no family relationship among the executive officers and there has been no involvement in legal proceedings during the past ten years that would be material to the evaluation of the ability or integrity of any of the executive officers. Executive officers may either be elected by the Board or may be appointed by the Chief Executive Officer at the regular meeting of the Board that follows the Annual Shareholders Meeting, which is ordinarily held in April each year, or at such other times as new positions are created or vacancies must be filled.

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Code of Ethics and Website Disclosure

Snap-on has adopted a written code of ethics that applies to its Chief Executive Officer, Chief Financial Officer, Vice President and Controller, and all other financial officers and executives performing similar functions. Snap-on has posted a copy of the code of ethics in the Investors/Corporate Governance section on the company's website at www.snapon.com. Snap-on will also post any amendments to these documents, or information about any waivers granted to directors or executive officers with respect to the Code of Business Conduct and Ethics, on the company's website at www.snapon.com.

Snap-on intends to satisfy the disclosure requirements under Item 10 of Form 8-K regarding amendments to, or waivers from, the code of ethics by posting such information in the Investors section of its corporate website at www.snapon.com.

Item 11: Executive Compensation

The information required by Item 11 is contained in Snap-on's 2016 Proxy Statement in the sections entitled Executive Compensation, Board Compensation, Compensation Committee Report, and Other Information and is incorporated herein by reference.

Item 12: Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The following table sets forth information about Snap-on's equity compensation plans at 2015 year end:

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	3,141,106 ⁽¹⁾	\$ 90.81 ⁽²⁾	5,995,188 ⁽³⁾
Equity compensation plans not approved by security holders	61,006 ⁽⁴⁾	Not Applicable	⁽⁵⁾
Total	3,202,112	\$ 90.81 ⁽²⁾	5,995,188 ⁽⁵⁾

(1) Includes (i) options to acquire 779,225 shares granted under the 2001 Incentive Stock and Awards Plan (the 2001 Plan); (ii) options and stock appreciation rights to acquire 2,300,541 shares granted under the 2011 Incentive Stock and Awards Plan (the 2011 Plan, and collectively with the 2001 Plan, the Incentive Plans); and (iii) 61,340 shares represented by deferred share units under the Directors' Fee Plan. Excludes 63,886 shares issuable in connection with the vesting of restricted stock units and restricted stock under the 2001 Plan, and 382,663 shares issuable in connection with the vesting of performance share awards, restricted stock units and restricted stock under the 2011 Plan. Also excludes shares of common stock that may be issuable under the employee and franchisee stock purchase plans.

(2) Reflects only the weighted-average exercise price of outstanding stock options and stock appreciation rights granted under the Incentive Plans and does not include shares represented by deferred share units under the Directors' Fee Plan and shares issuable in connection with the vesting of restricted stock units or performance units under the Incentive Plans for which there are no exercise prices. Also excludes shares of common stock that may be issuable under the

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employee and franchisee stock purchase plans.

- (3) Includes (i) 5,031,957 shares reserved for issuance under the 2011 Plan; (ii) 155,512 shares reserved for issuance under the Directors' Fee Plan; and (iii) 807,719 shares reserved for issuance under the employee stock purchase plan. No further awards may be granted under the 2001 Plan.
- (4) Consists of deferred share units under Snap-on's Deferred Compensation Plan, which allows elected and appointed officers of Snap-on to defer all or a percentage of their respective annual salary and/or incentive compensation. The deferred share units are payable in shares of Snap-on common stock on a one-for-one basis and are calculated at fair market value. Shares of common stock delivered under the Deferred Compensation Plan are previously issued shares reacquired and held by Snap-on.
- (5) The Deferred Compensation Plan provides that Snap-on will make available, as and when required, a sufficient number of shares of common stock to meet the needs of the plan. It further provides that such shares shall be previously issued shares reacquired and held by Snap-on.

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The additional information required by Item 12 is contained in Snap-on's 2016 Proxy Statement in the sections entitled Executive Compensation, Security Ownership of Certain Beneficial Owners and Management, and Other Information, and is incorporated herein by reference.

Item 13: Certain Relationships and Related Transactions, and Director Independence

Incorporated by reference to the sections entitled Corporate Governance Practices and Board Information Board Information and Other Information Transactions with the Company in Snap-on's 2016 Proxy Statement.

Item 14: Principal Accounting Fees and Services

Incorporated by reference to the section entitled Deloitte & Touche LLP Fee Disclosure in Snap-on's 2016 Proxy Statement.

PART IV

Item 15: Exhibits, Financial Statement Schedules

Item 15(a): Documents Filed as Part of This Report:

1. List of Financial Statements

Unless otherwise indicated, references to fiscal 2015 or 2015 refer to the fiscal year ended January 2, 2016; references to fiscal 2014 or 2014 refer to the fiscal year ended January 3, 2015; and references to fiscal 2013 or 2013 refer to the fiscal year ended December 28, 2013. References to 2015, 2014 and 2013 year end refer to January 2, 2016, January 3, 2015, and December 28, 2013, respectively.

The following consolidated financial statements of Snap-on and the Report of Independent Registered Public Accounting Firm thereon, are filed as part of this report:

Report of Independent Registered Public Accounting Firm.

Consolidated Statements of Earnings for the 2015, 2014 and 2013 fiscal years.

Consolidated Statements of Comprehensive Income for the 2015, 2014 and 2013 fiscal years.

Consolidated Balance Sheets as of 2015 and 2014 year end.

Consolidated Statements of Equity for the 2015, 2014 and 2013 fiscal years.

Consolidated Statements of Cash Flows for the 2015, 2014 and 2013 fiscal years.

Notes to Consolidated Financial Statements.

2. Financial Statement Schedules

All schedules are omitted because they are not applicable, or the required information is included in the consolidated financial statements or notes thereto.

3. List of Exhibits

The exhibits filed with or incorporated by reference in this report are as specified in the exhibit index included herein.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of

Snap-on Incorporated:

We have audited the accompanying consolidated balance sheets of Snap-on Incorporated and subsidiaries (the Company) as of January 2, 2016, and January 3, 2015, and the related consolidated statements of earnings, comprehensive income, equity, and cash flows for each of the three years in the period ended January 2, 2016. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Snap-on Incorporated and subsidiaries as of January 2, 2016, and January 3, 2015, and the results of their operations and their cash flows for each of the three years in the period ended January 2, 2016, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of January 2, 2016, based on the criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 11, 2016 expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ Deloitte & Touche LLP
DELOITTE & TOUCHE LLP

Milwaukee, Wisconsin

February 11, 2016

Table of Contents**Consolidated Statements of Earnings**

<i>(Amounts in millions, except per share data)</i>	2015	2014	2013
Net sales	\$ 3,352.8	\$ 3,277.7	\$ 3,056.5
Cost of goods sold	(1,704.5)	(1,693.4)	(1,583.6)
Gross profit	1,648.3	1,584.3	1,472.9
Operating expenses	(1,053.7)	(1,048.7)	(1,012.4)
Operating earnings before financial services	594.6	535.6	460.5
Financial services revenue	240.3	214.9	181.0
Financial services expenses	(70.1)	(65.8)	(55.3)
Operating earnings from financial services	170.2	149.1	125.7
Operating earnings	764.8	684.7	586.2
Interest expense	(51.9)	(52.9)	(56.1)
Other income (expense) net	(2.4)	(0.9)	(3.9)
Earnings before income taxes and equity earnings	710.5	630.9	526.2
Income tax expense	(221.2)	(199.5)	(166.7)
Earnings before equity earnings	489.3	431.4	359.5
Equity earnings, net of tax	1.3	0.7	0.2
Net earnings	490.6	432.1	359.7
Net earnings attributable to noncontrolling interests	(11.9)	(10.2)	(9.4)
Net earnings attributable to Snap-on Incorporated	\$ 478.7	\$ 421.9	\$ 350.3
Net earnings per share attributable to Snap-on Incorporated:			
Basic	\$ 8.24	\$ 7.26	\$ 6.02
Diluted	8.10	7.14	5.93
Weighted-average shares outstanding:			
Basic	58.1	58.1	58.2
Effect of dilutive securities	1.0	1.0	0.9
Diluted	59.1	59.1	59.1

See Notes to Consolidated Financial Statements.

Table of Contents**Consolidated Statements of Comprehensive Income**

<i>(Amounts in millions)</i>	2015	2014	2013
Comprehensive income (loss):			
Net earnings	\$ 490.6	\$ 432.1	\$ 359.7
Other comprehensive income (loss):			
Foreign currency translation*	(110.8)	(128.8)	(8.6)
Unrealized cash flow hedges, net of tax:			
Reclassification of cash flow hedges to net earnings	(0.3)	(0.3)	(0.4)
Defined benefit pension and postretirement plans:			
Net prior service costs and credits and unrecognized gain (loss)	(48.3)	(136.1)	100.2
Income tax benefit (expense)	19.4	47.9	(37.3)
Net of tax	(28.9)	(88.2)	62.9
Amortization of net prior service costs and credits and unrecognized loss included in net periodic benefit cost			
Income tax benefit	38.0	22.0	40.7
Income tax benefit	(14.0)	(8.1)	(15.2)
Net of tax	24.0	13.9	25.5
Total comprehensive income	374.6	228.7	439.1
Comprehensive income attributable to noncontrolling interests	(11.9)	(10.2)	(9.4)
Comprehensive income attributable to Snap-on Incorporated	\$ 362.7	\$ 218.5	\$ 429.7

* There is no reclassification adjustment as there was no sale or liquidation of any foreign entity during any period presented.

See Notes to Consolidated Financial Statements.

Table of Contents**Consolidated Balance Sheets**

<i>(Amounts in millions, except share data)</i>	Fiscal Year End	
	2015	2014
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 92.8	\$ 132.9
Trade and other accounts receivable net	562.5	550.8
Finance receivables net	447.3	402.4
Contract receivables net	82.1	74.5
Inventories net	497.8	475.5
Deferred income tax assets	109.9	101.0
Prepaid expenses and other assets	106.3	121.5
Total current assets	1,898.7	1,858.6
Property and equipment net	413.5	404.5
Deferred income tax assets	106.3	93.2
Long-term finance receivables net	772.7	650.5
Long-term contract receivables net	266.6	242.0
Goodwill	790.1	810.7
Other intangibles net	195.0	203.3
Other assets	44.0	47.3
Total assets	\$ 4,486.9	\$ 4,310.1
LIABILITIES AND EQUITY		
Current liabilities:		
Notes payable	\$ 18.4	\$ 56.6
Accounts payable	148.3	145.0
Accrued benefits	52.1	53.8
Accrued compensation	91.0	99.2
Franchisee deposits	64.4	65.8
Other accrued liabilities	296.3	298.3
Total current liabilities	670.5	718.7
Long-term debt	861.7	862.7
Deferred income tax liabilities	169.8	159.2
Retiree health care benefits	37.9	42.5
Pension liabilities	227.8	217.9
Other long-term liabilities	88.5	83.8
Total liabilities	2,056.2	2,084.8

Commitments and contingencies (Note 15)

Equity

Shareholders' equity attributable to Snap-on Incorporated:

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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 67,392,545 and 67,383,127 shares, respectively)	67.4	67.4
Additional paid-in capital	296.3	254.7
Retained earnings	2,986.9	2,637.2
Accumulated other comprehensive loss	(364.2)	(248.2)
Treasury stock at cost (9,306,499 and 9,269,680 shares, respectively)	(573.7)	(503.3)
Total shareholders' equity attributable to Snap-on Incorporated	2,412.7	2,207.8
Noncontrolling interests	18.0	17.5
Total equity	2,430.7	2,225.3
Total liabilities and equity	\$ 4,486.9	\$ 4,310.1

See Notes to Consolidated Financial Statements.

Table of Contents**Consolidated Statements of Equity**

<i>(Amounts in millions, except share data)</i>	Shareholders' Equity Attributable to Snap-on Incorporated						Total Equity
	Common Stock	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Noncontrolling Interests	
Balance at December 29, 2012	\$ 67.4	\$ 204.6	\$ 2,067.0	\$ (124.2)	\$ (412.7)	\$ 16.9	\$ 1,819.0
Net earnings for 2013			350.3			9.4	359.7
Other comprehensive income				79.4			79.4
Cash dividends \$1.58 per share			(92.0)				(92.0)
Dividend reinvestment plan and other			(1.2)			(9.1)	(10.3)
Stock compensation plans		10.7			36.7		47.4
Share repurchases 926,000 shares					(82.6)		(82.6)
Tax benefit from certain stock options		9.8					9.8
Balance at December 28, 2013	67.4	225.1	2,324.1	(44.8)	(458.6)	17.2	2,130.4
Net earnings for 2014			421.9			10.2	432.1
Other comprehensive loss				(203.4)			(203.4)
Cash dividends \$1.85 per share			(107.6)				(107.6)
Dividend reinvestment plan and other			(1.2)			(9.9)	(11.1)
Stock compensation plans		15.7			34.6		50.3
Share repurchases 680,000 shares					(79.3)		(79.3)
Tax benefit from certain stock options		13.9					13.9
Balance at January 3, 2015	67.4	254.7	2,637.2	(248.2)	(503.3)	17.5	2,225.3
Net earnings for 2015			478.7			11.9	490.6
Other comprehensive loss				(116.0)			(116.0)
Cash dividends \$2.20 per share			(127.9)				(127.9)
Dividend reinvestment plan and other			(1.1)			(11.4)	(12.5)
Stock compensation plans		23.3			40.0		63.3
Share repurchases 723,000 shares					(110.4)		(110.4)
Tax benefit from certain stock options		18.3					18.3
Balance at January 2, 2016	\$ 67.4	\$ 296.3	\$ 2,986.9	\$ (364.2)	\$ (573.7)	\$ 18.0	\$ 2,430.7

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See Notes to Consolidated Financial Statements.

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Table of Contents**Consolidated Statements of Cash Flows**

<i>(Amounts in millions)</i>	2015	2014	2013
Operating activities:			
Net earnings	\$ 490.6	\$ 432.1	\$ 359.7
Adjustments to reconcile net earnings to net cash provided (used) by operating activities:			
Depreciation	57.8	54.8	51.2
Amortization of other intangibles	24.7	24.7	25.5
Provision for losses on finance receivables	31.6	27.4	20.4
Provision for losses on non-finance receivables	13.6	14.3	10.4
Stock-based compensation expense	39.8	38.1	38.5
Excess tax benefits from stock-based compensation	(18.3)	(13.9)	(9.8)
Deferred income tax provision (benefit)	(5.1)	3.2	9.5
Loss (gain) on sales of assets	(2.1)	0.4	
Changes in operating assets and liabilities, net of effects of acquisitions:			
Increase in trade and other accounts receivable	(44.7)	(57.4)	(42.0)
Increase in contract receivables	(34.6)	(37.5)	(33.7)
Increase in inventories	(43.3)	(61.1)	(32.0)
Increase in prepaid and other assets	(28.2)	(50.9)	(10.3)
Increase (decrease) in accounts payable	4.7	(7.0)	8.4
Increase (decrease) in accruals and other liabilities	10.0	30.7	(3.2)
Net cash provided by operating activities	496.5	397.9	392.6
Investing activities:			
Additions to finance receivables	(844.2)	(746.2)	(651.3)
Collections of finance receivables	624.8	591.4	508.8
Capital expenditures	(80.4)	(80.6)	(70.6)
Acquisitions of businesses	(11.8)	(41.3)	(38.2)
Disposals of property and equipment	3.5	0.8	8.4
Other	1.7	2.7	(7.5)
Net cash used by investing activities	(306.4)	(273.2)	(250.4)
Financing activities:			
Repayment of long-term debt		(100.0)	
Proceeds from notes payable	7.1	4.9	3.3
Repayments of notes payable	(6.3)	(1.6)	(2.4)
Net increase (decrease) in other short-term borrowings	(34.8)	41.7	8.1
Cash dividends paid	(127.9)	(107.6)	(92.0)
Purchases of treasury stock	(110.4)	(79.3)	(82.6)
Proceeds from stock purchase and option plans	41.6	33.0	29.2
Excess tax benefits from stock-based compensation	18.3	13.9	9.8
Other	(13.6)	(11.9)	(11.2)

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Net cash used by financing activities	(226.0)	(206.9)	(137.8)
Effect of exchange rate changes on cash and cash equivalents	(4.2)	(2.5)	(1.3)
Increase (decrease) in cash and cash equivalents	(40.1)	(84.7)	3.1
Cash and cash equivalents at beginning of year	132.9	217.6	214.5
Cash and cash equivalents at end of year	\$ 92.8	\$ 132.9	\$ 217.6
Supplemental cash flow disclosures:			
Cash paid for interest	\$ (50.8)	\$ (52.8)	\$ (55.5)
Net cash paid for income taxes	(191.9)	(191.2)	(162.9)

See Notes to Consolidated Financial Statements.

Table of Contents*Notes to Consolidated Financial Statements***Note 1: Summary of Accounting Policies**

Principles of consolidation and presentation: The Consolidated Financial Statements include the accounts of Snap-on Incorporated and its wholly-owned and majority-owned subsidiaries (collectively, Snap-on or the company).

Snap-on accounts for investments in unconsolidated affiliates where Snap-on has a greater than 20% but less than 50% ownership interest under the equity method of accounting. Investments in unconsolidated affiliates was \$13.3 million as of both year-end 2015 and 2014, and are included in Other assets on the accompanying Consolidated Balance Sheets. No equity investment dividends were received in any period presented. In the normal course of business, the company may purchase products or services from unconsolidated affiliates; purchases from unconsolidated affiliates were \$13.4 million, \$15.6 million and \$16.0 million in 2015, 2014 and 2013, respectively. The Consolidated Financial Statements do not include the accounts of the company's independent franchisees. Snap-on's Consolidated Financial Statements are prepared in conformity with generally accepted accounting principles in the United States of America (U.S. GAAP). All intercompany accounts and transactions have been eliminated.

Fiscal year accounting period: Snap-on's fiscal year ends on the Saturday that is on or nearest to December 31. The 2015 fiscal year ended on January 2, 2016 (2015) and contained 52 weeks of operating results. The 2014 fiscal year ended on January 3, 2015 (2014) and contained 53 weeks of operating results, with the extra week occurring in the fourth quarter; the impact of the additional week of operations was not material to Snap-on's 2014 net sales or net earnings. The 2013 fiscal year ended on December 28, 2013 (2013) and contained 52 weeks of operating results.

Use of estimates: The preparation of financial statements in conformity with U.S. GAAP 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.

Financial instruments: The fair value of the company's derivative financial instruments is generally determined using quoted prices in active markets for similar assets and liabilities. The carrying value of the company's non-derivative financial instruments either approximates fair value, due to their short-term nature, or the amount disclosed for fair value is based upon a discounted cash flow analysis or quoted market values. See Note 10 for further information on financial instruments.

Revenue recognition: Snap-on recognizes revenue from the sale of tools and diagnostic and equipment products when contract terms are met, the price is fixed or determinable, collectability is reasonably assured and a product is shipped or risk of ownership has been transferred to and accepted by the customer. For sales contingent upon customer acceptance, revenue recognition is deferred until such obligations are fulfilled. Estimated product returns are recorded as a reduction in reported revenues at the time of sale based upon historical product return experience and gross profit margin adjusted for known trends. Provisions for customer volume rebates, discounts and allowances are also recorded as a reduction of reported revenues at the time of sale based on historical experience and known trends. Revenue related to maintenance, extended warranty and subscription agreements is recognized over the terms of the respective agreements.

Snap-on also recognizes revenue related to multiple element arrangements, including sales of hardware, software and software-related services. When a sales arrangement contains multiple elements, such as hardware and software products and/or services, Snap-on uses the relative selling price method to allocate revenues between hardware and software elements. For software elements that are not essential to the hardware's functionality and related software post-contract customer support, vendor specific objective evidence (VSOE) of fair value is used to further allocate revenue to each element based on its relative fair value and, when necessary, the residual method is used to assign value to the delivered elements when VSOE only exists for the undelivered elements. The amount assigned to the products or services is recognized when the product is delivered and/or when the services are performed. In instances where the product and/or services are performed over an extended period, as is the case with subscription agreements or the providing of ongoing support, revenue is generally recognized on a straight-line basis over the term of the agreement, which generally ranges from 12 to 60 months.

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Notes to Consolidated Financial Statements (continued)

Franchise fee revenue, including nominal, non-refundable initial fees, is recognized upon the granting of a franchise, which is when the company has performed substantially all initial services required by the franchise agreement. Franchise fee revenue also includes ongoing monthly fees (primarily for sales and business training as well as marketing and product promotion programs) that are recognized as the fees are earned. Franchise fee revenue totaled \$12.7 million, \$12.1 million and \$11.9 million in 2015, 2014 and 2013, respectively.

Financial services revenue: Snap-on also generates revenue from various financing programs that include: (i) installment sales and lease contracts arising from franchisees' customers and Snap-on's industrial and other customers for the purchase or lease of tools and diagnostic and equipment products on an extended-term payment plan; and (ii) business loans and vehicle leases to franchisees. These financing programs are offered through Snap-on's wholly owned finance subsidiaries. Financial services revenue consists primarily of interest income on finance and contract receivables and is recognized over the life of the underlying contracts, with interest computed primarily on the average daily balances of the underlying contracts.

The decision to finance through Snap-on or another financing entity is solely at the election of the customer. When assessing customers for potential financing, Snap-on considers various factors regarding ability to pay including customers' financial condition, collateral, debt-servicing ability, past payment experience, credit bureau information and proprietary credit models. For finance and contract receivables, Snap-on assesses these factors through the use of credit quality indicators consisting primarily of customer credit risk scores combined with internal credit risk grades, collection experience and other internal metrics.

Financial services lease arrangements: Snap-on accounts for its financial services leases as direct financing or sales-type leases. The company determines the gross investment in the lease as the present value of the minimum lease payments using the interest rate implicit in the lease, net of amounts, if any, included therein for executor costs to be paid by Snap-on, together with any profit thereon. The difference between the gross investment in the lease and the related undiscounted minimum lease payments for the leased property is reported as unearned finance charges. Unearned finance charges are amortized to income over the life of the contract. The default covenants included in the lease arrangements are usual and customary, consistent with industry practice, and do not impact the lease classification. Except in circumstances where the company has concluded that a lessee's financial condition has deteriorated, the other default covenants under Snap-on's lease arrangements are objectively determinable.

Research and engineering: Snap-on incurred research and engineering costs of \$49.3 million, \$52.4 million and \$48.4 million in 2015, 2014 and 2013, respectively. Research and engineering costs are included in Operating expenses on the accompanying Consolidated Statements of Earnings.

Internally developed software: Costs incurred in the development of software that will ultimately be sold are capitalized from the time technological feasibility has been attained and capitalization ceases when the related product is ready for general release. During 2015, 2014 and 2013, Snap-on capitalized \$14.9 million, \$19.0 million and \$19.0 million, respectively, of such costs. Amortization of capitalized software development costs, which is included in Cost of goods sold on the accompanying Consolidated Statements of Earnings, was \$14.0 million in 2015, \$13.6 million in 2014 and \$14.9 million in 2013. Unamortized capitalized software development costs of \$50.4 million as of 2015 year end and \$50.2 million as of 2014 year end are included in Other intangibles net on the accompanying Consolidated Balance Sheets.

Internal-use software: Costs that are incurred in creating software solutions and enhancements to those solutions are capitalized only during the application development stage of the project.

Shipping and handling: Amounts billed to customers for shipping and handling are included as a component of sales. Costs incurred by Snap-on for shipping and handling are included as a component of cost of goods sold when the costs relate to manufacturing activities. In 2015, 2014 and 2013, Snap-on incurred shipping and handling charges of \$39.0 million, \$40.3 million and \$37.9 million, respectively, that were recorded in Cost of goods sold on the accompanying Consolidated Statements of Earnings. Shipping and handling costs incurred in conjunction

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with selling or distribution activities are included as a component of operating expenses. Shipping and handling charges were \$78.5 million in both 2015 and 2014, and \$72.7 million in 2013; these charges were recorded in Operating expenses on the accompanying Consolidated Statements of Earnings.

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Advertising and promotion: Production costs of future media advertising are deferred until the advertising occurs. All other advertising and promotion costs are expensed when incurred. For 2015, 2014 and 2013, advertising and promotion expenses totaled \$54.9 million, \$51.4 million and \$49.9 million, respectively. Advertising and promotion costs are included in Operating expenses on the accompanying Consolidated Statements of Earnings.

Warranties: Snap-on provides product warranties for specific product lines and accrues for estimated future warranty costs in the period in which the sale is recorded. See Note 15 for information on warranties.

Foreign currency: The financial statements of Snap-on's foreign subsidiaries are translated into U.S. dollars. Assets and liabilities of foreign subsidiaries are translated at current rates of exchange, and income and expense items are translated at the average exchange rates for the period. The resulting translation adjustments are recorded directly into Accumulated other comprehensive loss on the accompanying Consolidated Balance Sheets. Foreign exchange transactions, net of foreign currency hedges, resulted in pretax losses of \$2.7 million, \$1.5 million and \$4.4 million in 2015, 2014 and 2013, respectively. Foreign exchange transaction gains and losses are reported in Other income (expense) net on the accompanying Consolidated Statements of Earnings.

Income taxes: Current tax assets and liabilities are based upon an estimate of taxes refundable or payable for each of the jurisdictions in which the company is subject to tax. In the ordinary course of business, there is inherent uncertainty in quantifying income tax positions. Snap-on assesses income tax positions and records tax benefits for all years subject to examination based upon management's evaluation of the facts, circumstances and information available at the reporting dates. For those tax positions where it is more-likely-than-not that a tax benefit will be sustained, Snap-on records the largest amount of tax benefit with a greater than 50% likelihood of being realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information. For those income tax positions where it is not more-likely-than-not that a tax benefit will be sustained, no tax benefit is recognized in the financial statements. When applicable, associated interest and penalties are recognized as a component of income tax expense. Accrued interest and penalties are included within the related tax asset or liability on the accompanying Consolidated Balance Sheets.

Deferred income taxes are provided for temporary differences arising from differences in bases of assets and liabilities for tax and financial reporting purposes. Deferred income taxes are recorded on temporary differences using enacted tax rates in effect for the year in which the temporary differences are expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more-likely-than-not that some portion or all of the deferred tax assets will not be realized. See Note 8 for further information on income taxes.

Per share data: Basic earnings per share calculations were computed by dividing net earnings attributable to Snap-on Incorporated by the corresponding weighted-average number of common shares outstanding for the period. The dilutive effect of the potential exercise of outstanding options and stock-settled stock appreciation rights (SARs) to purchase common shares is calculated using the treasury stock method. As of January 2, 2016, there were 1,600 awards outstanding that were anti-dilutive; as of January 3, 2015, and December 28, 2013, there were no outstanding awards that were anti-dilutive. Performance-based equity awards do not affect the diluted earnings per share calculation until it is determined that the applicable performance metrics have been met. Snap-on had dilutive securities totaling 1,016,969 shares, 921,050 shares and 881,381 shares, as of the end of 2015, 2014 and 2013, respectively. See Note 13 for further information on equity awards.

Stock-based compensation: Snap-on recognizes the cost of employee services in exchange for awards of equity instruments based on the grant date fair value of those awards. That cost, based on the estimated number of awards that are expected to vest, is recognized on a straight-line basis over the period during which the employee is required to provide the service in exchange for the award. No compensation cost is recognized for awards for which employees do not render the requisite service. The grant date fair value of employee stock options and similar instruments is estimated using the Black-Scholes valuation model.

The Black-Scholes valuation model requires the input of subjective assumptions, including the expected life of the stock-based award and stock price volatility. The assumptions used are management's best estimates, but the estimates involve inherent uncertainties and the application of management judgment. As a result, if other assumptions had been used, the recorded stock-based compensation expense could have been materially different from that depicted in the financial statements. See Note 13 for further information on stock-based compensation.

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Notes to Consolidated Financial Statements (continued)

Derivatives: Snap-on utilizes derivative financial instruments, including foreign currency forward contracts, interest rate swap agreements, treasury lock agreements and prepaid equity forward agreements to manage its exposures to foreign currency exchange rate risks, interest rate risks, and market risk associated with the stock-based portion of its deferred compensation plans. Snap-on accounts for its derivative instruments at fair value. Snap-on does not hold or issue financial instruments for speculative or trading purposes. See Note 10 for further information on derivatives.

Cash equivalents: Snap-on considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. There were no cash equivalents as of 2015 year end; as of 2014 year end, cash equivalents of \$2.5 million primarily consisted of money market funds. Cash equivalents are stated at cost, which approximates market value, and are considered to be Level 1 in the fair value hierarchy.

Receivables and allowances for doubtful accounts: All trade, finance and contract receivables are reported on the Consolidated Balance Sheets at their outstanding principal balance adjusted for any charge-offs and net of allowances for doubtful accounts. Finance and contract receivables also include accrued interest and contract acquisition costs, net of contract acquisition fees.

Snap-on maintains allowances for doubtful accounts to absorb probable losses inherent in its portfolio of receivables. The allowances for doubtful accounts represent management's estimate of the losses inherent in the company's receivables portfolio based on ongoing assessments and evaluations of collectability and historical loss experience. In estimating losses inherent in each of its receivable portfolios (trade, finance and contract receivables), Snap-on uses historical loss experience rates by portfolio and applies them to a related aging analysis. Determination of the proper level of allowances by portfolio requires management to exercise significant judgment about the timing, frequency and severity of credit losses that could materially affect the provision for credit losses and, therefore, net earnings. The allowances for doubtful accounts takes into consideration numerous quantitative and qualitative factors, by receivable type, including historical loss experience, collection experience, delinquency trends, economic conditions and credit risk quality as follows:

Snap-on evaluates the collectability of receivables based on a combination of various financial and qualitative factors that may affect the customers' ability to pay. These factors may include customers' financial condition, collateral, debt-servicing ability, past payment experience and credit bureau information.

For finance and contract receivables, Snap-on assesses quantitative and qualitative factors through the use of credit quality indicators consisting primarily of collection experience and other internal metrics as follows:

Collection experience Snap-on conducts monthly reviews of credit and collection performance for each of its finance and contract receivable portfolios focusing on data such as delinquency trends, non-performing assets, and charge-off and recovery activity. These reviews allow for the formulation of collection strategies and potential collection policy modifications in response to changing risk profiles in the finance and contract receivable portfolios.

Other internal metrics Snap-on maintains a system that aggregates credit exposure by customer, risk classification and geographical area, among other factors, to further monitor changing risk profiles.

Management performs detailed reviews of its receivables on a monthly and/or quarterly basis to assess the adequacy of the allowances based on historical and current trends and other factors affecting credit losses and to determine if any impairment has occurred. A receivable is impaired

when it is probable that all amounts related to the receivable will not be collected according to the contractual terms of the agreement. Additions to the allowances for doubtful accounts are maintained through adjustments to the provision for credit losses, which are charged to current period earnings; amounts determined to be uncollectable are charged directly against the allowances, while amounts recovered on previously charged-off accounts increase the allowances. Net charge-offs include the principal amount of losses charged-off as well as charged-off interest and fees. Recovered interest and fees previously charged-off are recorded through the allowances for doubtful accounts and increase the allowances. Finance receivables are assessed for charge-off when an account becomes 120 days past due and are charged-off typically within 60 days of asset repossession. Contract receivables related to equipment leases are generally charged-off when an account becomes 150 days past due, while contract receivables related to franchise finance and van leases are generally charged-off up to 180 days past the asset return date. For finance and contract receivables, customer bankruptcies are generally charged-off upon notification that the associated debt is not being reaffirmed or, in any event, no later than 180 days past due.

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Snap-on does not believe that its trade accounts, finance or contract receivables represent significant concentrations of credit risk because of the diversified portfolio of individual customers and geographical areas. See Note 3 for further information on receivables and allowances for doubtful accounts.

Other accrued liabilities: Supplemental balance sheet information for Other accrued liabilities as of 2015 and 2014 year end is as follows:

<i>(Amounts in millions)</i>	2015	2014
Income taxes	\$ 28.5	\$ 15.2
Accrued restructuring	4.1	6.5
Accrued warranty	16.4	17.3
Deferred subscription revenue	40.7	34.1
Accrued property, payroll and other taxes	39.7	41.8
Accrued selling and promotion expense	23.3	24.5
Other	143.6	158.9
Total other accrued liabilities	\$ 296.3	\$ 298.3

Inventories: Snap-on values its inventory at the lower of cost or market and adjusts for the value of inventory that is estimated to be excess, obsolete or otherwise unmarketable. Snap-on records allowances for excess and obsolete inventory based on historical and estimated future demand and market conditions. Allowances for raw materials are largely based on an analysis of raw material age and actual physical inspection of raw material for fitness for use. As part of evaluating the adequacy of allowances for work-in-progress and finished goods, management reviews individual product stock-keeping units (SKUs) by product category and product life cycle. Cost adjustments for each product category/product life-cycle state are generally established and maintained based on a combination of historical experience, forecasted sales and promotions, technological obsolescence, inventory age and other actual known conditions and circumstances. Should actual product marketability and raw material fitness for use be affected by conditions that are different from management estimates, further adjustments to inventory allowances may be required.

Snap-on adopted the last-in, first-out (LIFO) inventory valuation method in 1973 for its U.S. locations. Snap-on's U.S. inventories accounted for on a LIFO basis consist of purchased product and inventory manufactured at the company's heritage U.S. manufacturing facilities (primarily hand tools and tool storage). As Snap-on began acquiring businesses in the 1990s, the company retained the first-in, first-out (FIFO) inventory valuation methodology used by the predecessor businesses prior to their acquisition by Snap-on; the company does not adopt the LIFO inventory valuation methodology for new acquisitions. See Note 4 for further information on inventories.

Property and equipment: Property and equipment is stated at cost less accumulated depreciation and amortization. Depreciation and amortization are provided on a straight-line basis over estimated useful lives. Major repairs that extend the useful life of an asset are capitalized, while routine maintenance and repairs are expensed as incurred. Capitalized software included in property and equipment reflects costs related to internally developed or purchased software for internal use and is amortized on a straight-line basis over their estimated useful lives. Long-lived assets are evaluated for impairment when events or circumstances indicate that the carrying amount of the long-lived asset may not be recoverable. See Note 5 for further information on property and equipment.

Goodwill and other intangible assets: Goodwill and other indefinite-lived assets are tested for impairment annually or more frequently if events or changes in circumstances indicate that the assets might be impaired. Annual impairment tests are performed by the company in the second quarter of each year using information available as of fiscal April month end. Snap-on evaluates the existence of goodwill and indefinite-lived intangible asset impairment on the basis of whether the assets are fully recoverable from projected, discounted cash flows of the related reportable unit or asset. Intangible assets with finite lives are amortized over their estimated useful lives using straight-line and accelerated methods depending on the nature of the particular asset. See Note 6 for further information on goodwill and other intangible assets.

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Notes to Consolidated Financial Statements (continued)

New accounting standards

In November 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2015-17, *Balance Sheet Classification of Deferred Taxes*, to simplify the presentation of deferred income taxes by requiring that all deferred tax liabilities and assets be classified as long term on the balance sheet. The ASU is effective for fiscal years beginning after December 15, 2016, and interim periods within those annual periods; the ASU allows for early adoption as of the beginning of an interim or annual reporting period. The company is currently assessing the impact that this standard will have on its consolidated financial statements.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*, which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The ASU is based on the principle that an entity should recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to fulfill a contract.

In August 2015, the FASB deferred the effective date of ASU No. 2014-09 by one year; early adoption is permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. The ASU will become effective for Snap-on at the beginning of its 2018 fiscal year. Entities have the option of using either a full retrospective or a modified retrospective approach for the adoption of the standard. The company is currently assessing the impact that this standard will have on its consolidated financial statements.

Note 2: Acquisitions

On July 27, 2015, Snap-on acquired the assets of Ecotechnics S.p.A. (Ecotechnics) for a cash purchase price of \$11.8 million, which reflects the finalization of a working capital adjustment completed in the fourth quarter of 2015. Ecotechnics designs and manufactures vehicle air conditioning service equipment for original equipment manufacturer (OEM) dealerships and the automotive aftermarket worldwide. The acquisition of the Ecotechnics product line complemented and increased Snap-on s existing equipment product offering for OEM dealerships and independent automotive repair shops, broadened its established capabilities in serving vehicle repair facilities, and expanded the company s presence with repair shop owners and managers.

On May 28, 2014, Snap-on acquired substantially all of the assets of Pro-Cut International, Inc. (Pro-Cut) for a cash purchase price of \$41.3 million. Pro-Cut designs, manufactures and distributes on-car brake lathes, related equipment and accessories used in brake servicing by automotive repair facilities. The acquisition of the Pro-Cut product line complemented and increased Snap-on s existing undercar equipment product offering, broadened its established capabilities in serving vehicle repair facilities and expanded the company s presence with repair shop owners and managers.

On May 13, 2013, Snap-on acquired Challenger Lifts, Inc. (Challenger) for a cash purchase price of \$38.2 million. Challenger designs, manufactures and distributes a comprehensive line of vehicle lifts and accessories to a diverse customer base in the automotive repair sector. The acquisition of the Challenger vehicle lift product line complemented and increased Snap-on s existing undercar equipment product offering, broadened its established capabilities in serving vehicle repair facilities and expanded the company s presence with repair shop owners and managers.

For segment reporting purposes, the results of operations and assets of Ecotechnics, Pro-Cut and Challenger have been included in the Repair Systems & Information Group since the respective acquisition dates. Pro forma financial information has not been presented as the net effects of these acquisitions, both individually and collectively, were neither significant nor material to Snap-on s results of operations or financial position.

Table of Contents**Note 3: Receivables***Trade and Other Accounts Receivable*

Snap-on's trade and other accounts receivable primarily arise from the sale of tools and diagnostic and equipment products to a broad range of industrial and commercial customers and to Snap-on's independent franchise van channel on a non-extended-term basis with payment terms generally ranging from 30 to 120 days.

The components of Snap-on's trade and other accounts receivable as of 2015 and 2014 year end are as follows:

<i>(Amounts in millions)</i>	2015	2014
Trade and other accounts receivable	\$ 579.2	\$ 567.0
Allowances for doubtful accounts	(16.7)	(16.2)
Total trade and other accounts receivable net	\$ 562.5	\$ 550.8

Finance and Contract Receivables

Snap-on Credit LLC (SOC), the company's financial services operation in the United States, originates extended-term finance and contract receivables on sales of Snap-on's products through the U.S. franchisee and customer network and to Snap-on's industrial and other customers; Snap-on's foreign finance subsidiaries provide similar financing internationally. Interest income on finance and contract receivables is included in Financial services revenue on the accompanying Consolidated Statements of Earnings.

Snap-on's finance receivables are comprised of extended-term installment payment contracts to both technicians and independent shop owners (i.e., franchisees' customers) to enable them to purchase tools and diagnostic and equipment products on an extended-term payment plan, generally with expected average payment terms of approximately three years. Contract receivables, with payment terms of up to 10 years, are comprised of extended-term installment payment contracts to a broad base of industrial and other customers worldwide, including shop owners, both independents and national chains, for their purchase of tools and diagnostic and equipment products. Contract receivables also include extended-term installment loans to franchisees to meet a number of financing needs, including working capital loans, loans to enable new franchisees to fund the purchase of the franchise and van leases. Finance and contract receivables are generally secured by the underlying tools and/or diagnostic or equipment products financed and, for installment loans to franchisees, other franchisee assets.

The components of Snap-on's current finance and contract receivables as of 2015 and 2014 year end are as follows:

<i>(Amounts in millions)</i>	2015	2014
Finance receivables, net of unearned finance charges of \$16.9 million and \$15.6 million, respectively	\$ 460.7	\$ 414.6
Contract receivables, net of unearned finance charges of \$15.1 million and \$13.9 million, respectively	83.5	75.5
Total	544.2	490.1
Allowances for doubtful accounts:		
Finance receivables	(13.4)	(12.2)

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Contract receivables	(1.4)	(1.0)
Total	(14.8)	(13.2)
Total current finance and contract receivables net	\$ 529.4	\$ 476.9
Finance receivables net	\$ 447.3	\$ 402.4
Contract receivables net	82.1	74.5
Total current finance and contract receivables net	\$ 529.4	\$ 476.9

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The components of Snap-on's finance and contract receivables with payment terms beyond one year as of 2015 and 2014 year end are as follows:

<i>(Amounts in millions)</i>	2015	2014
Finance receivables, net of unearned finance charges of \$10.9 million and \$9.9 million, respectively	\$ 797.5	\$ 671.0
Contract receivables, net of unearned finance charges of \$21.1 million and \$19.4 million, respectively	269.6	244.5
Total	1,067.1	915.5
Allowances for doubtful accounts:		
Finance receivables	(24.8)	(20.5)
Contract receivables	(3.0)	(2.5)
Total	(27.8)	(23.0)
Total long-term finance and contract receivables net	\$ 1,039.3	\$ 892.5
Finance receivables net	\$ 772.7	\$ 650.5
Contract receivables net	266.6	242.0
Total long-term finance and contract receivables net	\$ 1,039.3	\$