HELEN OF TROY LTD
Form 10-Q
October 10, 2007

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended August 31, 2007

or

o	**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission file number: 001-14669

HELEN OF TROY LIMITED

(Exact name of registrant as specified in its charter)

Bermuda	**74-2692550**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

Clarenden House
Church Street
Hamilton, Bermuda
(Address of principal executive offices)

1 Helen of Troy Plaza	
El Paso, Texas	**79912**
(Registrant s United States Mailing Address)	(Zip Code)

(915) 225-8000

(Registrant s telephone number, including area code)

[Not Applicable]

(Former name, former address and former fiscal year, if changed since last report)

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act (Check one):

Large accelerated filer o Accelerated filer x Non-accelerated filer o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes o No x

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date.

Class	**Outstanding at October 3, 2007**
Common Shares, $0.10 par value per share	30,705,498 shares

HELEN OF TROY LIMITED AND SUBSIDIARIES

INDEX FORM 10-Q

Table of Contents

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

HELEN OF TROY LIMITED AND SUBSIDIARIES

Consolidated Condensed Balance Sheets

(in thousands, except shares and par value)

	August 31, 2007 (unaudited)	February 28, 2007
Assets		
Current assets:		
Cash and cash equivalents	**$ 34,511**	$ 35,455
Temporary investments	**12,000**	55,750
Trading securities, at market value	**54**	189
Receivables - principally trade, less allowance of $941 and $1,002	**121,953**	115,896
Inventories	**168,255**	144,070
Prepaid expenses and other assets	**8,030**	8,379
Deferred income tax benefits	**13,085**	13,479
Total current assets	**357,888**	373,218
Property and equipment, at cost less accumulated depreciation of $40,183 and $35,325	**94,205**	96,669
Goodwill	**213,227**	201,002
Trademarks, net of accumulated amortization of $233 and $230	**166,908**	158,061
License agreements, net of accumulated amortization of $16,673 and $15,953	**25,642**	26,362
Other intangible assets, net of accumulated amortization of $5,464 and $4,561	**16,162**	14,653
Tax certificates	**25,144**	25,144
Other assets, net	**10,500**	11,163
Total assets	**$ 909,676**	$ 906,272
Liabilities and Stockholders Equity		
Current liabilities:		
Current portion of long-term debt	**$ 13,000**	$ 10,000
Accounts payable, principally trade	**43,982**	37,779
Accrued expenses and current liabilities	**67,012**	62,384
Income taxes payable	**18,227**	24,924
Total current liabilities	**142,221**	135,087
Long-term compensation liabilities	**1,650**	2,095
Long-term income taxes payable	**8,864**	
Deferred income tax liability	**1,040**	1,673
Long-term debt, less current portion	**212,000**	240,000
Total liabilities	**365,775**	378,855
Commitments and contingencies		

Stockholders equity:				
Cumulative preferred shares, non-voting, $1.00 par. Authorized 2,000,000 shares; none issued				
Common shares, $.10 par. Authorized 50,000,000 shares; 30,703,998 and 30,286,406 shares issued and outstanding		**3,070**		3,029
Additional paid-in-capital		**98,069**		94,951
Retained earnings		**444,801**		431,003
Accumulated other comprehensive income		**(2,039)**		(1,566)
Total stockholders equity		**543,901**		527,417
Total liabilities and stockholders equity	**$**	**909,676**	$	906,272

See accompanying notes to consolidated condensed financial statements.

Table of Contents

HELEN OF TROY LIMITED AND SUBSIDIARIES

Consolidated Condensed Statements of Income (unaudited)

(in thousands, except per share data)

	Three Months Ended August 31, 2007	Three Months Ended August 31, 2006	Six Months Ended August 31, 2007	Six Months Ended August 31, 2006
Net sales	**$ 157,924**	$ 147,172	**$ 298,094**	$ 277,613
Cost of sales	**89,698**	80,504	**169,850**	153,004
Gross profit	**68,226**	66,668	**128,244**	124,609
Selling, general, and administrative expense	**52,728**	50,028	**98,445**	97,053
Operating income	**15,498**	16,640	**29,799**	27,556
Other income (expense):				
Interest expense	**(3,820)**	(4,696)	**(7,933)**	(9,202)
Other income, net	**221**	287	**1,475**	1,077
Total other income (expense)	**(3,599)**	(4,409)	**(6,458)**	(8,125)
Earnings before income taxes	**11,899**	12,231	**23,341**	19,431
Income tax expense (benefit):				
Current	**(5,572)**	833	**(4,980)**	1,772
Deferred	**(782)**	524	**(49)**	106
Net earnings	**$ 18,253**	$ 10,874	**$ 28,370**	$ 17,553
Earnings per share:				
Basic	**$ 0.60**	$ 0.36	**$ 0.93**	$ 0.58
Diluted	**$ 0.56**	$ 0.35	**$ 0.88**	$ 0.56
Weighted average common shares used in computing net earnings per share				
Basic	**30,521**	30,040	**30,408**	30,031
Diluted	**32,445**	31,506	**32,240**	31,483

See accompanying notes to consolidated condensed financial statements.

Table of Contents

HELEN OF TROY LIMITED AND SUBSIDIARIES

Consolidated Condensed Statements of Cash Flows (unaudited)

(in thousands)

	Six Months Ended August 31, 2007		2006	
Cash flows from operating activities:				
Net earnings	**$**	**28,370**	$	17,553
Adjustments to reconcile net earnings to net cash (used) / provided by operating activities:				
Depreciation and amortization		**7,151**		7,347
Provision for doubtful receivables		**(61)**		(362)
Share-based compensation expense		**546**		370
Write off of deferred finance costs due to early extinguishment of debt		**282**		
Unrealized (gain) / loss - trading securities		**171**		(25)
Deferred taxes, net		**(300)**		12
Gain on the sale of property, plant and equipment		**(11)**		(422)
Changes in operating assets and liabilities, net of effects of acquisitions				
Accounts receivable		**1,041**		(9,381)
Inventories		**(16,061)**		(16,923)
Prepaid expenses and other current assets		**(2,552)**		(1,587)
Other assets		**(408)**		1,843
Accounts payable		**6,196**		15,007
Accrued expenses and current liabilities		**4,738**		(691)
Income taxes payable		**(9,791)**		(4,388)
Net cash provided by operating activities		**19,311**		8,353
Cash flows from investing activities:				
Capital, license, trademark, and other intangible expenditures		**(2,666)**		(3,748)
Acquisitions of business		**(36,500)**		
Proceeds from the sale of property, plant and equipment		**94**		666
Purchase of temporary securities		**(87,350)**		(43,000)
Sale of temporary securities		**131,100**		25,000
Net cash provided by / (used) by investing activities		**4,678**		(21,082)
Cash flows from financing activities:				
Proceeds from debt				7,660
Repayment of long-term debt		**(25,000)**		
Proceeds from exercise of stock options, including related tax effects		**4,209**		302
Proceeds from employee stock purchase plan		**210**		190
Payment of tax obligations resulting from cashless option exercise		**(4,505)**		
Share-based compensation tax benefit		**153**		94
Net cash (used) / provided by financing activities		**(24,933)**		8,246
Net (decrease) in cash and cash equivalents		**(944)**		(4,483)
Cash and cash equivalents, beginning of period		**35,455**		18,320
Cash and cash equivalents, end of period	**$**	**34,511**	$	13,837
Supplemental cash flow disclosures:				
Interest paid	**$**	**7,610**	$	8,275
Income taxes paid (net of refunds)	**$**	**2,847**	$	6,159
Common shares received as exercise price of options	**$**	**15,938**	$	

See accompanying notes to consolidated condensed financial statements.

Table of Contents

HELEN OF TROY LIMITED AND SUBSIDIARIES

Consolidated Condensed Statements Of Comprehensive Income (unaudited)

(in thousands)

	Three Months Ended August 31, 2007	Three Months Ended August 31, 2006	Six Months Ended August 31, 2007	Six Months Ended August 31, 2006
Net earnings, as reported	$ 18,253	$ 10,874	$ 28,370	$ 17,553
Other comprehensive income (loss), net of tax:				
Cash flow hedges - Interest Rate Swaps	**(1,799)**		**142**	
Cash flow hedges - Foreign Currency	**(518)**	(556)	**(615)**	(1,478)
Comprehensive income	**$ 15,936**	$ 10,318	**$ 27,897**	$ 16,075

See accompanying notes to consolidated condensed financial statements.

Table of Contents

HELEN OF TROY LIMITED AND SUBSIDIARIES

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

August 31, 2007

Note 1 - ***Basis of Presentation***

In our opinion, the accompanying consolidated condensed financial statements contain all adjustments (consisting of only normal recurring adjustments) necessary to present fairly our consolidated financial position as of August 31, 2007 and February 28, 2007, and the results of our consolidated operations for the three-month and six-month periods ended August 31, 2007 and 2006. The same accounting policies are followed in preparing quarterly financial data as are followed in preparing annual data.

Due to the seasonal nature of our business, quarterly revenues, expenses, earnings and cash flows are not necessarily indicative of the results that may be expected for the full fiscal year. While we believe that the disclosures presented are adequate and the consolidated condensed financial statements are not misleading, these statements should be read in conjunction with the consolidated financial statements and the notes included in our latest annual report on Form 10-K, and our other reports on file with the Securities and Exchange Commission (SEC).

We have reclassified certain prior-period amounts, and in some cases provided additional information in our consolidated condensed financial statements and accompanying footnotes to conform to the current period s presentation. These reclassifications have no impact on previously reported net earnings.

In these consolidated condensed financial statements, accompanying footnotes, and elsewhere in this report, amounts shown are in thousands of U.S. Dollars, except as otherwise indicated.

Note 2 ***New Accounting Pronouncements***

New Accounting Standards Currently Adopted

Effects of Misstatements - In September 2006, the SEC issued Staff Accounting Bulletin No. 108, Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements (SAB 108). SAB 108 provides guidance on how prior year misstatements should be taken into consideration when quantifying misstatements in current year financial statements for purposes of determining whether the current year s financial statements are materially misstated. SAB108 permits registrants to record the cumulative effect of initial adoption by recording the necessary correcting adjustments to the carrying values of assets and liabilities as of the beginning of that year with the offsetting adjustment recorded to the opening balance of retained earnings, only if material under the dual method. SAB 108 became effective for fiscal years beginning after November 15, 2006, and we were not required to record any correcting adjustments upon its adoption.

Uncertainty in Income Taxes - In July 2006, the Financial Accounting Standards Board (FASB) issued Interpretation 48, Accounting for Uncertainty in Income Taxes An Interpretation of Statement of Financial Accounting Standards No. 109 (FIN 48). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise s financial statements, and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The provisions of FIN 48 are effective for fiscal years beginning after December 15, 2006. We adopted the provisions of FIN 48 at the beginning of the first quarter of fiscal 2008, and the details of our adoption of FIN 48 are described in Note 12.

Table of Contents

New Accounting Standards Subject to Future Adoption

Liability Recognition on Endorsement Split-Dollar Life Insurance Arrangements - In June 2006, the Emerging Issues Task Force of the FASB (EITF) reached a consensus on EITF Issue No. 06-4 (EITF 06-4), Accounting for Deferred Compensation and Postretirement Benefit Aspects of Endorsement Split-Dollar Life Insurance Arrangements, which requires the application of the provisions of SFAS No. 106 (SFAS 106), Employers Accounting for Postretirement Benefits Other Than Pensions to endorsement split-dollar life insurance arrangements (if, in substance, a post-retirement benefit plan exists), or Accounting Principles Board Opinion No. 12 (if the arrangement is, in substance, an individual deferred compensation contract). SFAS 106 would require us to recognize a liability for the discounted value of the future premium benefits that we will incur through the death of the underlying insureds. An endorsement-type arrangement generally exists when the Company owns and controls all incidents of ownership of the underlying policies. EITF 06-4 is currently effective for fiscal years beginning after December 15, 2007. The Company has undertaken a review of the endorsement type policy agreement it currently maintains and believes that all subject policies fall outside the scope of EITF 06-4 because the agreements will not survive the retirement of the affected employee. Accordingly, we believe the adoption of EITF 06-4 will have no impact on our financial statements.

Fair Value Measurements - In September 2006, the FASB issued SFAS 157 Fair Value Measurements. This Statement defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles (GAAP), and expands disclosures about fair value measurements. This Statement applies under other accounting pronouncements that require or permit fair value measurements. Accordingly, this Statement does not require any new fair value measurements, but will potentially require additional disclosures regarding existing fair value measurements we currently report. This Statement is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. We are currently determining the effect, if any, this pronouncement will have on our financial statements.

Fair Value Option for Financial Assets and Financial Liabilities - In February 2007, the FASB issued Statement of Financial Accounting Standards No.159 The Fair Value Option for Financial Assets and Financial Liabilities Including an amendment of FASB Statement No. 115 (SFAS 159). SFAS 159 permits entities to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. SFAS 159 also established presentation and disclosure requirements designed to facilitate comparisons that choose different measurement attributes for similar types of assets and liabilities. This Statement is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. We are currently determining the effect, if any, this pronouncement will have on our financial statements.

Liability Recognition on Collateral Assignment Split-Dollar Life Insurance Arrangements - In March 2007, the EITF reached a consensus on EITF Issue No. 06-10 (EITF 06-10), Accounting for Deferred Compensation and Postretirement Benefit

Aspects of Collateral Assignment Split-Dollar Life Insurance Arrangements, which provides guidance to help companies determine whether a liability for the postretirement benefit associated with a collateral assignment split-dollar life insurance arrangement should be recorded in accordance with either SFAS 106 (if, in substance, a post-retirement benefit plan exists), or Accounting Principles Board Opinion No. 12 (if the arrangement is, in substance, an individual deferred compensation contract). EITF 06-10 also provides guidance on how a company should recognize and measure the asset in a collateral assignment split-dollar life insurance contract. EITF 06-10 is effective for fiscal years beginning after December 15, 2007. We believe we have certain life insurance policies which may be subject to the provisions of this new pronouncement. If we ultimately determine that the policies are subject to the provisions of EITF 06-10, we believe the effects of recording any resulting liability, upon the adoption of the new pronouncement, will not be material to our financial statements.

From time to time, new accounting pronouncements are issued by the FASB or other standards setting bodies that we adopt as of the specified effective date. Unless otherwise discussed, we believe that the impact of recently issued standards that are not yet effective are either not applicable to the Company at this time, or will not have a material impact on our consolidated condensed financial statements upon adoption.

Table of Contents

Note 3 ***Litigation***

Securities Class Action Litigation - Class action lawsuits have been filed and consolidated into one action against the Company, Gerald J. Rubin, the Company s Chairman of the Board, President and Chief Executive Officer, and Thomas J. Benson, the Company s Chief Financial Officer, on behalf of purchasers of publicly traded securities of the Company. The Company understands that the plaintiffs allege violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 as amended (the Exchange Act), and Rule 10b-5 thereunder, on the grounds that the Company and the two officers engaged in a scheme to defraud the Company s shareholders through the issuance of positive earnings guidance intended to artificially inflate the Company s share price so that Mr. Rubin could sell almost 400,000 of the Company s common shares at an inflated price. The plaintiffs are seeking unspecified damages, interest, fees, costs, an accounting of any alleged insider trading proceeds, and injunctive relief, including an accounting of and the imposition of a constructive trust and/or asset freeze on the defendants alleged insider trading proceeds. The class period stated in the complaint was October 12, 2004 through October 10, 2005.

The lawsuit was brought in the United States District Court for the Western District of Texas. The Company intends to defend the foregoing lawsuit vigorously, but, because the lawsuit is still in the preliminary stages, the Company cannot predict the outcome and is not currently able to evaluate the likelihood of success or the range of potential loss, if any, that might be incurred in connection with the action. However, if the Company were to lose on any issues connected with the lawsuit or if the lawsuit is not settled on favorable terms, the judgement or settlement may have a material adverse effect on the Company s consolidated financial position, results of operations and cash flows. There is a risk that such litigation could result in substantial costs and divert management s attention and resources from its business, which could adversely affect the Company s business. The Company carries insurance that provides an aggregate coverage of $20 million after a self-insured retention of $500 thousand for the period during which the claims were filed, but cannot evaluate at this time whether such coverage will be adequate to cover losses, if any, arising out of the lawsuit.

On May 15, 2006, the Company filed a motion to dismiss the aforementioned lawsuit citing numerous deficiencies with the claims asserted in the lawsuit. On May 24, 2007, the motion to dismiss was denied. The discovery phase of the litigation is now underway.

Other Matters - We are involved in various other legal claims and proceedings in the normal course of operations. We believe the outcome of these matters will not have a material adverse effect on our consolidated financial position, results of operations, or liquidity.

Note 4 ***Earnings per Share***

Basic earnings per share is computed based upon the weighted average number of shares of common stock outstanding during the period. Diluted earnings per share is computed based upon the weighted average number of shares of common stock plus the effect of dilutive securities. The number of dilutive securities was 1,923,200 and 1,831,755 for the three-and six-month periods ended August 31, 2007, respectively, and 1,466,683 and 1,452,051 for the three-and six-month periods ended August 31, 2006, respectively. All dilutive securities during these periods consisted of stock options issued under our stock option plans. There were options to purchase common shares that were outstanding but not included in the computation of earnings per share because the exercise prices of such options were greater than the average market prices of our common shares. These options totaled 444,396 and 1,154,381 at August 31, 2007 and 2006, respectively.

Table of Contents

Note 5 ***Segment Information***

In the tables that follow, we present two segments: Personal Care and Housewares. Our Personal Care segment s products include hair dryers, straighteners, curling irons, hairsetters, women s shavers, mirrors, hot air brushes, home hair clippers and trimmers, paraffin baths, massage cushions, footbaths, body massagers, brushes, combs, hair accessories, liquid hair styling products, men s fragrances, men s deodorants, foot powder, body powder, and skin care products. Our Housewares segment reports the operations of OXO International (OXO) whose products include kitchen tools, cutlery, bar and wine accessories, household cleaning tools, tea kettles, trash cans, storage and organization products, hand tools, gardening tools, kitchen mitts and trivets, barbeque tools, and rechargeable lighting products. We use outside manufacturers to produce our goods. Both our Personal Care and Housewares segments sell their products primarily through mass merchandisers, drug chains, warehouse clubs, catalogs, grocery stores and specialty stores. In addition, the Personal Care segment sells extensively through beauty supply retailers and wholesalers.

The accounting policies of our segments are the same as those described in the summary of significant accounting policies in Note 1 to the consolidated financial statements in our Annual Report on Form 10-K for the fiscal year ended February 28, 2007.

The following tables contain segment information for the periods covered by our consolidated condensed statements of income:

THREE MONTHS ENDED AUGUST 31, 2007 AND 2006

(in thousands)

August 31, 2007	**Personal Care**	**Housewares**	**Total**
Net sales	$ 118,502	$ 39,422	$ 157,924
Operating income	6,931	8,567	15,498
Capital, license, trademark and other intangible expenditures	596	959	1,555
Depreciation and amortization	2,391	1,236	3,627

August 31, 2006	**Personal Care**	**Housewares**	**Total**
Net sales	$ 110,976	$ 36,196	$ 147,172
Operating income	9,701	6,939	16,640
Capital, license, trademark and other intangible expenditures	1,798	250	2,048
Depreciation and amortization	2,280	1,187	3,467

SIX MONTHS ENDED AUGUST 31, 2007 AND 2006

(in thousands)

August 31, 2007	**Personal Care**	**Housewares**	**Total**
Net sales	$ 225,314	$ 72,780	$ 298,094
Operating income	15,803	13,996	29,799
Capital, license, trademark and other intangible expenditures	910	1,756	2,666
Depreciation and amortization	4,759	2,392	7,151

August 31, 2006	**Personal Care**	**Housewares**	**Total**
Net sales	$ 216,300	$ 61,313	$ 277,613
Operating income	15,893	11,663	27,556
Capital, license, trademark and other intangible expenditures	2,980	768	3,748
Depreciation and amortization	4,899	2,448	7,347

Table of Contents

The following tables contain net assets allocable to each segment for the periods covered by our consolidated condensed balance sheets:

IDENTIFIABLE NET ASSETS AT AUGUST 31, 2007 AND FEBRUARY 28, 2007

(in thousands)

	Personal Care	Housewares	Total
August 31, 2007	$ 560,648	$ 349,028	$ 909,676
February 28, 2007	554,295	351,977	906,272

Operating income for each operating segment is computed based on net sales, less cost of goods sold and any selling, general, and administrative expenses (SG&A) associated with the segment. The selling, general, and administrative expenses used to compute each segment s operating income are comprised of SG&A directly associated with the segment, plus overhead expenses that are allocable to the operating segment.

During the first quarter of fiscal 2007, we completed the transition of our Housewares segment s operations to our internal operating systems and our new distribution facility in Southaven, Mississippi.

In the last quarter of fiscal 2007, we completed the consolidation of our domestic appliance inventories into the same facility. Throughout fiscal 2007, we conducted an evaluation of our shared cost allocation methodology given the structural and process changes that were taking place in our operations, and changed our methodology in the first quarter of fiscal 2008. We believe the new method better reflects the economics of our newly consolidated operations. The table below summarizes the expense allocations made to the Housewares segment for the three-months and six-months ended August 31, 2007 compared to the same periods in the previous year. Some of these expenses were previously absorbed by the Personal Care segment.

Housewares Segment Expense Allocation

(in thousands)

	Three Months Ended August 31, 2007	Three Months Ended August 31, 2006	Six Months Ended August 31, 2007	Six Months Ended August 31, 2006
Distribution and sourcing expense	**$ 3,432**	$ 1,957	**$ 6,286**	$ 3,384
Other operating and corporate overhead expense	**1,393**	1,376	**2,719**	2,374
Total allocated expenses	**$ 4,825**	**$ 3,333**	**$ 9,005**	**$ 5,758**
Expense allocation as a percentage of net sales:				
Distribution and sourcing expense	8.7%	5.4%	8.6%	5.5%
Other operating and corporate overhead expense	3.5%	3.8%	3.7%	3.9%
Total allocated expenses	12.2%	9.2%	12.4%	9.4%

11

Table of Contents

Note 6 ***Property and Equipment***

A summary of property and equipment is as follows:

PROPERTY AND EQUIPMENT

(in thousands)

	Estimated Useful Lives (Years)	August 31, 2007	February 28, 2007
Land		**$ 9,537**	$ 9,537
Building and improvements	10 - 40	**62,948**	62,666
Computer and other equipment	3 - 10	**41,490**	41,265
Molds and tooling	1 - 3	**7,685**	6,538
Transportation equipment	3 - 5	**3,979**	3,912
Furniture and fixtures	5 - 15	**7,973**	7,815
Construction in process		**776**	261
		134,388	131,994
Less accumulated depreciation		**(40,183)**	(35,325)
Property and equipment, net		**$ 94,205**	$ 96,669

We recorded depreciation of $2,595 and $5,161 for the three-month and six-month periods ended August 31, 2007, respectively, and $2,540 and $4,968 for the three-month and six-month periods ended August 31, 2006, respectively.

Table of Contents

Note 7 ***Intangible Assets***

We do not record amortization expense on goodwill or other intangible assets that have indefinite useful lives. Amortization expense is recorded for intangible assets with definite useful lives. We also perform an annual impairment review of goodwill and other intangible assets. Any asset deemed to be impaired is to be written down to its fair value. We completed our annual impairment test during the first quarter of fiscal 2008, and have determined that none of our goodwill or other intangible assets were impaired at that time.

The following table discloses information regarding the carrying amounts and associated accumulated amortization for all intangible assets and indicates the operating segments to which they belong:

INTANGIBLE ASSETS

(in thousands)

Type / Description	Segment	Estimated Life	August 31, 2007 Gross Carrying Amount	August 31, 2007 Accumulated Amortization (if Applicable)	August 31, 2007 Net Carrying Amount	February 28, 2007 Gross Carrying Amount	February 28, 2007 Accumulated Amortization (if Applicable)	February 28, 2007 Net Carrying Amount
Goodwill:								
OXO	Housewares	Indefinite	$ 166,131	$	$ 166,131	$ 165,934	$	$ 165,934
All other goodwill	Personal Care	Indefinite	47,096		47,096	35,068		35,068
			213,227		213,227	201,002		201,002
Trademarks:								
OXO	Housewares	Indefinite	75,554		75,554	75,554		75,554
Brut	Personal Care	Indefinite	51,317		51,317	51,317		51,317
All other - definite lives	Personal Care	(1)	338	(233)	105	338	(230)	108
All other - indefinite lives	Personal Care	Indefinite	39,932		39,932	31,082		31,082
			167,141	(233)	166,908	158,291	(230)	158,061
Licenses:								
Seabreeze	Personal Care	Indefinite	18,000		18,000	18,000		18,000
All other licenses	Personal Care	8 - 25 Years	24,315	(16,673)	7,642	24,315	(15,953)	8,362
			42,315	(16,673)	25,642	42,315	(15,953)	26,362
Other:								
Patents, customer lists and non-compete agreements	Housewares	2 - 14 Years	19,391	(5,317)	14,074	19,214	(4,561)	14,653
	Personal Care	3 - 8 Years	2,235	(147)	2,088			
			21,626	(5,464)	16,162	19,214	(4,561)	14,653

Total	$	444,309	$	(22,370)	$	421,939	$	420,822	$	(20,744)	$	400,078

(1) Includes one fully amortized trademark and one trademark with an estimated life of 30 years.

Table of Contents

The following table summarizes the amortization expense attributable to intangible assets for the three-month and six-month periods ending August 31, 2007 and 2006, as well as our latest estimate of amortization expense for the fiscal years ending the last day of each February from 2008 through 2013.

AMORTIZATION OF INTANGIBLES

(in thousands)

Aggregate Amortization Expense **For the three months ended**		
August 31, 2007	$	850
August 31, 2006	$	741
Aggregate Amortization Expense **For the six months ended**		
August 31, 2007	$	1,626
August 31, 2006	$	1,556
Estimated Amortization Expense **For the fiscal years ended**		

	$ 827.8			
Financial Services revenue		66.3		57.4
Total revenues	$	900.5	$	885.2
Operating earnings:				
Commercial & Industrial Group	$	41.1	$	44.0
Snap-on Tools Group		66.7		59.8
Repair Systems & Information Group		69.0		63.9
Financial Services		47.0		40.3
Segment operating earnings		223.8		208.0
Corporate		(21.4)		(29.8)
Operating earnings	$	202.4	$	178.2
Interest expense		(13.1)		(13.0)
Other income (expense) net		(0.7)		(0.7)
Earnings before income taxes and equity earnings	$	188.6	$	164.5

(Amounts in millions)		April 2, 2016		January 2, 2016
Assets:				
Commercial & Industrial Group	$	926.0	$	901.6
Snap-on Tools Group		664.8		646.7
Repair Systems & Information Group		1,046.3		1,041.6

Financial Services	1,623.0	1,572.4
Total assets from reportable segments	$ 4,260.1	$ 4,162.3
Corporate	223.4	203.6
Elimination of intersegment receivables	(47.1)	(34.8)
Total assets	$ 4,436.4	$ 4,331.1

SNAP-ON INCORPORATED

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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

Caution Regarding Forward-Looking Statements:

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 manag (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 its Annual Report on Form 10-K for the fiscal year ended January 2, 2016, which are incorporated herein by reference, 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.

SNAP-ON INCORPORATED

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(continued)

RESULTS OF OPERATIONS

Results of operations for the three month periods ended April 2, 2016, and April 4, 2015, are as follows:

	Three Months Ended					
(Amounts in millions)	April 2, 2016		April 4, 2015		Change	
Net sales	$ 834.2	100.0%	$ 827.8	100.0%	$ 6.4	0.8%
Cost of goods sold	(418.9)	-50.2%	(417.7)	-50.5%	(1.2)	-0.3%
Gross profit	415.3	49.8%	410.1	49.5%	5.2	1.3%
Operating expenses	(259.9)	-31.2%	(272.2)	-32.8%	12.3	4.5%
Operating earnings before financial services	155.4	18.6%	137.9	16.7%	17.5	12.7%
Financial services revenue	66.3	100.0%	57.4	100.0%	8.9	15.5%
Financial services expenses	(19.3)	-29.1%	(17.1)	-29.8%	(2.2)	-12.9%
Operating earnings from financial services	47.0	70.9%	40.3	70.2%	6.7	16.6%
Operating earnings	202.4	22.5%	178.2	20.1%	24.2	13.6%
Interest expense	(13.1)	-1.5%	(13.0)	-1.4%	(0.1)	-0.8%
Other income (expense) net	(0.7)	-0.1%	(0.7)	-0.1%		
Earnings before income taxes and equity earnings	188.6	20.9%	164.5	18.6%	24.1	14.7%
Income tax expense	(57.6)	-6.4%	(51.8)	-5.9%	(5.8)	-11.2%
Earnings before equity earnings	131.0	14.5%	112.7	12.7%	18.3	16.2%
Equity earnings, net of tax	0.3	0.1%	0.5	0.1%	(0.2)	NM
Net earnings	131.3	14.6%	113.2	12.8%	18.1	16.0%
Net earnings attributable to noncontrolling interests	(3.0)	-0.4%	(2.7)	-0.3%	(0.3)	-11.1%
Net earnings attributable to Snap-on Inc.	$ 128.3	14.2%	$ 110.5	12.5%	$ 17.8	16.1%

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.

Net sales of $834.2 million in the first quarter of 2016 increased $6.4 million, or 0.8%, from 2015 levels, including $16.4 million of unfavorable foreign currency translation and $2.6 million of acquisition-related sales. Organic sales (excluding foreign currency translation impacts and acquisition-related sales) in the first quarter of 2016 increased $20.2 million, or 2.5%, from 2015 levels. Snap-on has significant international operations and is subject to risks inherent with foreign operations, including foreign currency translation fluctuations.

Gross profit of $415.3 million in the first quarter of 2016 compared to $410.1 million last year. Gross margin (gross profit as a percentage of net sales) of 49.8% in the quarter improved 30 basis points (100 basis points (bps) equals 1.0 percent) from 49.5% last year as benefits from higher sales and savings from the company s Rapid Continuous Improvement or RCI initiatives, were partially offset by 50 bps of 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.

SNAP-ON INCORPORATED

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(continued)

Operating expenses of $259.9 million in the first quarter of 2016 compared to $272.2 million last year. The operating expense margin (operating expenses as a percentage of net sales) of 31.2% in the first quarter of 2016 improved 160 bps from 32.8% last year primarily due to sales volume leverage and savings from RCI initiatives, benefits (80 bps) from lower stock-based (mark-to-market) compensation and other expenses, including lower costs associated with the company s employee and franchisee stock purchase plans, and lower pension expense (20 bps).

Operating earnings before financial services of $155.4 million in the first quarter of 2016, including $7.7 million of unfavorable foreign currency effects, increased $17.5 million, or 12.7%, as compared to $137.9 million last year. As a percentage of net sales, operating earnings before financial services of 18.6% in the quarter increased 190 bps from 16.7% last year.

Financial services revenue of $66.3 million in the first quarter of 2016 compared to revenue of $57.4 million last year. Financial services operating earnings of $47.0 million in the first quarter of 2016, including $0.4 million of unfavorable foreign currency effects, increased $6.7 million, or 16.6%, as compared to $40.3 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 $202.4 million in the first quarter of 2016, including $8.1 million of unfavorable foreign currency effects, increased $24.2 million, or 13.6%, from $178.2 million last year. As a percentage of revenues (net sales plus financial services revenue), operating earnings of 22.5% in the quarter improved 240 bps from 20.1% last year.

Interest expense of $13.1 million in the first quarter of 2016 increased $0.1 million from $13.0 million last year. See Note 8 to the Condensed Consolidated Financial Statements for information on Snap-on s debt and credit facilities.

Other income (expense) net was expense of $0.7 million in both the first quarters of 2016 and 2015. Other income (expense) net primarily reflects net losses and gains associated with hedging and currency exchange rate transactions, and interest income. See Note 15 to the Condensed Consolidated Financial Statements for information on other income (expense) net.

Snap-on s first quarter effective income tax rate on earnings attributable to Snap-on was 31.0% in 2016 and 32.0% in 2015. See Note 7 to the Condensed Consolidated Financial Statements for information on income taxes.

Net earnings attributable to Snap-on of $128.3 million, or $2.16 per diluted share, in the first quarter of 2016 increased $17.8 million, or $0.29 per diluted share, from 2015 levels. Net earnings attributable to Snap-on in the first quarter of 2015 were $110.5 million or $1.87 per diluted share.

On July 27, 2015, Snap-on acquired the assets of Ecotechnics S.p.A. (Ecotechnics) for a cash purchase price of $11.8 million, including post-closing adjustments that were finalized 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.

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

SNAP-ON INCORPORATED

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(continued)

Exit and Disposal Activities

Snap-on did not record any costs for exit and disposal activities in the first quarters of 2016 and 2015. See Note 6 to the Condensed Consolidated Financial Statements for information on Snap-on s exit and disposal activities.

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 dealership service and repair shops (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

	Three Months Ended					
(Amounts in millions)	April 2, 2016		April 4, 2015		Change	
External net sales	$ 214.5	74.7%	$ 234.0	78.7%	$ (19.5)	-8.3%
Intersegment net sales	72.5	25.3%	63.5	21.3%	9.0	14.2%
Segment net sales	287.0	100.0%	297.5	100.0%	(10.5)	-3.5%
Cost of goods sold	(176.5)	-61.5%	(181.0)	-60.8%	4.5	2.5%
Gross profit	110.5	38.5%	116.5	39.2%	(6.0)	-5.2%
Operating expenses	(69.4)	-24.2%	(72.5)	-24.4%	3.1	4.3%
Segment operating earnings	$ 41.1	14.3%	$ 44.0	14.8%	$ (2.9)	-6.6%

Segment net sales of $287.0 million in the first quarter of 2016 decreased $10.5 million, or 3.5%, from 2015 levels. Excluding $6.7 million of unfavorable foreign currency translation, organic sales decreased $3.8 million, or 1.3%, primarily due to a double-digit decline in sales to customers in critical industries, largely in the military, natural resources (primarily oil and gas) and international aerospace market segments. These organic sales declines were partially offset by a double-digit increase in the segment s Asia/Pacific operations, a high single-digit gain in the segment s power tools operations and a mid single-digit sales increase from the segment s European-based hand tools business.

Segment gross profit of $110.5 million in the first quarter of 2016 compared to $116.5 million last year. Gross margin of 38.5% in the quarter decreased 70 bps from 39.2% last year primarily due to a shift in sales that included a decrease in higher gross margin sales to customers in critical industries and 40 bps of unfavorable foreign currency effects, partially offset by savings from RCI initiatives.

SNAP-ON INCORPORATED

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(continued)

Segment operating expenses of $69.4 million in the first quarter of 2015 compared to $72.5 million last year. The operating expense margin of 24.2% in the quarter improved 20 bps from 24.4% last year.

As a result of these factors, segment operating earnings of $41.1 million in the first quarter of 2016, including $2.2 million of unfavorable foreign currency effects, decreased $2.9 million from 2015 levels. Operating margin (segment operating earnings as a percentage of segment net sales) for the Commercial & Industrial Group of 14.3% in the first quarter of 2016 decreased 50 bps from 14.8% last year.

Snap-on Tools Group

	Three Months Ended					
(Amounts in millions)	April 2, 2016		April 4, 2015		Change	
Segment net sales	$ 402.5	100.0%	$ 378.2	100.0%	$ 24.3	6.4%
Cost of goods sold	(229.3)	-57.0%	(211.9)	-56.0%	(17.4)	-8.2%
Gross profit	173.2	43.0%	166.3	44.0%	6.9	4.1%
Operating expenses	(106.5)	-26.4%	(106.5)	-28.2%		
Segment operating earnings	$ 66.7	16.6%	$ 59.8	15.8%	$ 6.9	11.5%

Segment net sales of $402.5 million in the first quarter of 2016 increased $24.3 million, or 6.4%, from 2015 levels. Excluding $6.0 million of unfavorable foreign currency translation, organic sales increased $30.3 million, or 8.1%, reflecting a high single-digit sales gain in the company s U.S. franchise operations and a mid single-digit sales increase in the company s international franchise operations.

Segment gross profit of $173.2 million in the first quarter of 2016 compared to $166.3 million last year. Gross margin of 43.0% in the quarter declined 100 bps from 44.0% last year primarily due to unfavorable foreign currency effects.

Segment operating expenses were $106.5 million in both the first quarters of 2016 and 2015. The operating expense margin of 26.4% in the quarter improved 180 bps from 28.2% last year primarily due to sales volume leverage and savings from RCI initiatives, and 50 bps of lower stock-based costs associated with the company s franchisee stock purchase plan.

As a result of these factors, segment operating earnings of $66.7 million in the first quarter of 2016, including $4.2 million of unfavorable foreign currency effects, increased $6.9 million from 2015 levels. Operating margin for the Snap-on Tools Group of 16.6% in the first quarter of 2016 improved 80 bps from 15.8% last year.

Repair Systems & Information Group

	Three Months Ended					
(Amounts in millions)	April 2, 2016		April 4, 2015		Change	
External net sales	$ 217.2	77.9%	$ 215.6	79.2%	$ 1.6	0.7%
Intersegment net sales	61.6	22.1%	56.7	20.8%	4.9	8.6%
Segment net sales	278.8	100.0%	272.3	100.0%	6.5	2.4%

Cost of goods sold	(147.2)	-52.8%	(145.0)	-53.2%	(2.2)	-1.5%
Gross profit	131.6	47.2%	127.3	46.8%	4.3	3.4%
Operating expenses	(62.6)	-22.5%	(63.4)	-23.3%	0.8	1.3%
Segment operating earnings	$ 69.0	24.7%	$ 63.9	23.5%	$ 5.1	8.0%

SNAP-ON INCORPORATED

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(continued)

Segment net sales of $278.8 million in the first quarter of 2016 increased $6.5 million, or 2.4%, from 2015 levels. Excluding $4.5 million of unfavorable foreign currency translation and $2.6 million of acquisition-related sales, organic sales increased $8.4 million or 3.1%. 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 low single-digit increases in both sales of undercar equipment and sales to OEM dealerships.

Segment gross profit of $131.6 million in the first quarter of 2016 compared to $127.3 million last year. Gross margin of 47.2% in the quarter improved 40 bps from 46.8% last year primarily due to savings from RCI initiatives.

Segment operating expenses of $62.6 million in the first quarter of 2016 compared to $63.4 million last year. The operating expense margin of 22.5% improved 80 bps from 23.3% last year primarily due to sales volume leverage and savings from RCI initiatives.

As a result of these factors, segment operating earnings of $69.0 million in the first quarter of 2016, including $1.3 million of unfavorable foreign currency effects, increased $5.1 million from 2015 levels. Operating margin for the Repair Systems & Information Group of 24.7% in the first quarter of 2016 improved 120 bps from 23.5% last year.

Financial Services

	Three Months Ended					
(Amounts in millions)	April 2, 2016		April 4, 2015		Change	
Financial services revenue	$ 66.3	100.0%	$ 57.4	100.0%	$ 8.9	15.5%
Financial services expenses	(19.3)	-29.1%	(17.1)	-29.8%	(2.2)	-12.9%
Segment operating earnings	$ 47.0	70.9%	$ 40.3	70.2%	$ 6.7	16.6%

Financial services revenue of $66.3 million in the first quarter of 2016 increased $8.9 million, or 15.5%, from $57.4 million last year. The $8.9 million increase in financial services revenue primarily reflects $8.2 million of higher revenue as a result of continued growth of the company s financial services portfolio and $0.6 million of increased revenue from higher average yields on finance receivables. In the first quarters of 2016 and 2015, the respective average yield on finance receivables was 17.9% and 17.7%, and the average yield on contract receivables was 9.5% in both periods. Originations of $264.6 million in the first quarter of 2016 increased $33.9 million, or 14.7%, from 2015 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 $19.3 million in the first quarter of 2016 compared to financial services expenses of $17.1 million last year. As a percentage of the average financial services portfolio, financial services expenses were 1.2% in both the first quarters of 2016 and 2015.

Financial services operating earnings of $47.0 million in the first quarter of 2016, including $0.4 million of unfavorable foreign currency effects, increased $6.7 million, or 16.6%, from 2015 levels.

See Note 3 to the Condensed Consolidated Financial Statements for further information on financial services.

Corporate

Snap-on s first quarter 2016 general corporate expenses of $21.4 million compared to $29.8 million last year. The year-over-year decrease in general corporate expenses primarily reflects $4.0 million of lower stock-based compensation expense, $1.6 million of lower pension expense and $1.2 million of lower stock-based costs associated with the company s employee stock purchase plan.

SNAP-ON INCORPORATED

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(continued)

Non-GAAP Supplemental Data

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 Condensed Consolidated Financial Statements.

Supplemental Consolidating Data Supplemental Condensed Statements of Earnings information for the three month periods ended April 2, 2016, and April 4, 2015, is as follows:

	Operations*		Financial Services	
(Amounts in millions)	April 2, 2016	April 4, 2015	April 2, 2016	April 4, 2015
Net sales	$ 834.2	$ 827.8	$	$
Cost of goods sold	(418.9)	(417.7)		
Gross profit	415.3	410.1		
Operating expenses	(259.9)	(272.2)		
Operating earnings before financial services	155.4	137.9		
Financial services revenue			66.3	57.4
Financial services expenses			(19.3)	(17.1)
Operating earnings from financial services			47.0	40.3
Operating earnings	155.4	137.9	47.0	40.3
Interest expense	(13.0)	(12.9)	(0.1)	(0.1)
Intersegment interest income (expense) net	17.3	15.0	(17.3)	(15.0)
Other income (expense) net	(0.7)	(0.7)		
Earnings before income taxes and equity earnings	159.0	139.3	29.6	25.2
Income tax expense	(46.7)	(42.5)	(10.9)	(9.3)
Earnings before equity earnings	112.3	96.8	18.7	15.9
Financial services net earnings attributable to Snap-on	18.7	15.9		
Equity earnings, net of tax	0.3	0.5		

Net earnings	131.3	113.2	18.7	15.9
Net earnings attributable to noncontrolling interests	(3.0)	(2.7)		
Net earnings attributable to Snap-on	$ 128.3	$ 110.5	$ 18.7	$ 15.9

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

SNAP-ON INCORPORATED

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(continued)

Supplemental Consolidating Data Supplemental Condensed Balance Sheet information as of April 2, 2016, and January 2, 2016, is as follows:

	Operations*		Financial Services	
(Amounts in millions)	April 2, 2016	January 2, 2016	April 2, 2016	January 2, 2016
ASSETS				
Current assets:				
Cash and cash equivalents	$ 106.2	$ 92.7	$ 0.1	$ 0.1
Intersegment receivables	16.9	15.9		
Trade and other accounts receivable net	569.9	562.2	0.1	0.3
Finance receivables net			453.3	447.3
Contract receivables net	8.1	8.0	69.3	74.1
Inventories net	511.6	497.8		
Prepaid expenses and other assets	128.1	111.5	1.4	1.2
Total current assets	1,340.8	1,288.1	524.2	523.0
Property and equipment net	416.0	412.1	1.4	1.4
Investment in Financial Services	259.5	251.8		
Deferred income tax assets	29.9	40.6	19.7	19.8
Intersegment long-term notes receivable	433.3	398.7		
Long-term finance receivables net			817.1	772.7
Long-term contract receivables net	11.5	12.1	260.5	254.5
Goodwill	797.1	790.1		
Other intangibles net	192.9	195.0		
Other assets	55.9	49.9	0.1	1.0
Total assets	$ 3,536.9	$ 3,438.4	$ 1,623.0	$ 1,572.4

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

39

SNAP-ON INCORPORATED

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(continued)

Supplemental Consolidating Data Condensed Balance Sheets Information (continued):

	Operations*		Financial Services	
(Amounts in millions)	April 2, 2016	January 2, 2016	April 2, 2016	January 2, 2016
LIABILITIES AND EQUITY				
Current liabilities:				
Notes payable and current maturities of long-term debt	$ 20.8	$ 18.4	$ 150.0	$
Accounts payable	161.3	148.2	0.4	0.1
Intersegment payables			16.9	15.9
Accrued benefits	53.9	52.1	0.1	
Accrued compensation	62.8	86.9	1.2	4.1
Franchisee deposits	65.9	64.4		
Other accrued liabilities	295.2	277.4	32.2	25.0
Total current liabilities	659.9	647.4	200.8	45.1
Long-term debt and intersegment long-term debt			1,147.9	1,260.4
Deferred income tax liabilities	14.5	14.1		0.2
Retiree health care benefits	37.0	37.9		
Pension liabilities	206.9	227.8		
Other long-term liabilities	83.5	80.5	14.8	14.9
Total liabilities	1,001.8	1,007.7	1,363.5	1,320.6
Total shareholders equity attributable to Snap-on Inc.	2,517.1	2,412.7	259.5	251.8
Noncontrolling interests	18.0	18.0		
Total equity	2,535.1	2,430.7	259.5	251.8
Total liabilities and equity	$ 3,536.9	$ 3,438.4	$ 1,623.0	$ 1,572.4

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

SNAP-ON INCORPORATED

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 repayments (including the repayment of $150.0 million of unsecured 5.50% notes, due January 15, 2017 (the 2017 Notes)), 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 April 15, 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 Condensed Consolidated Balance Sheets.

As of April 2, 2016, working capital (current assets less current liabilities) of $1,004.3 million decreased $114.3 million from $1,118.6 million as of January 2, 2016 (fiscal 2015 year end), primarily as a result of the inclusion of the 2017 Notes in Notes payable and current maturities of long-term debt. As of January 2, 2016, the 2017 Notes were included in Long-term debt on the accompanying Condensed Consolidated Balance Sheet as their scheduled maturity was in excess of one year of the 2015 year-end balance sheet date.

The following represents the company s working capital position as of April 2, 2016, and January 2, 2016:

(Amounts in millions)	April 2, 2016	January 2, 2016
Cash and cash equivalents	$ 106.3	$ 92.8
Trade and other accounts receivable net	570.0	562.5
Finance receivables net	453.3	447.3
Contract receivables net	77.4	82.1
Inventories net	511.6	497.8
Prepaid expenses and other assets	122.9	106.3
Total current assets	1,841.5	1,788.8
Notes payable and current maturities of long-term debt	(170.8)	(18.4)
Accounts payable	(161.7)	(148.3)
Other current liabilities	(504.7)	(503.5)
Total current liabilities	(837.2)	(670.2)
Total working capital	$ 1,004.3	$ 1,118.6

Cash and cash equivalents of $106.3 million as of April 2, 2016, increased $13.5 million from 2015 year-end levels primarily due to (i) $174.1 million of cash from collections of finance receivables; (ii) $141.6 million of cash generated from operations, net of $20.0 million of discretionary cash contributions to the company s domestic pension plans; and (iii) $9.9 million of cash proceeds from stock purchase and option plan exercises. These increases in cash and cash equivalents were partially offset by (i) the funding of $230.9 million of new finance receivables; (ii) dividend payments to shareholders of $35.4 million; (iii) the repurchase of 157,000 shares of the company s common stock for $23.1 million; and (iv) the funding of $19.5 million of capital expenditures.

SNAP-ON INCORPORATED

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(continued)

Of the $106.3 million of cash and cash equivalents as of April 2, 2016, $70.3 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.

Trade and other accounts receivable net of $570.0 million as of April 2, 2016, increased $7.5 million from 2015 year-end levels; excluding $5.3 million of currency translation impacts, trade and other accounts receivable net increased $2.2 million. 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 61 days at April 2, 2016, and 60 days at 2015 year end.

The current portions of net finance and contract receivables of $530.7 million as of April 2, 2016, compared to $529.4 million at 2015 year end. The long-term portions of net finance and contract receivables of $1,089.1 million as of April 2, 2016, compared to $1,039.3 million at 2015 year end. The combined $51.1 million increase in net current and long-term finance and contract receivables over 2015 year-end levels is primarily due to continued growth of the company s financial services portfolio; excluding $4.3 million of currency translation impacts, the combined increase for these receivables over 2015 year-end levels was $46.8 million.

Inventories of $511.6 million as of April 2, 2016, increased $13.8 million from 2015 year-end levels; excluding $3.3 million of currency translation impacts, inventories increased $10.5 million primarily to support continued higher customer demand and new product introductions. 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 3.4 turns and 3.5 turns as of April 2, 2016, and January 2, 2016, respectively. Inventories accounted for using the first-in, first-out (FIFO) method approximated 57% of total inventories as of both April 2, 2016, and January 2, 2016. All other inventories are accounted for using the last-in, first-out (LIFO) method. The company s LIFO reserve was $73.3 million as of both April 2, 2016, and January 2, 2016.

Notes payable and current maturities of long-term debt of $170.8 million as of April 2, 2016, included $150.0 million of the 2017 Notes and $20.8 million of other notes. As of 2015 year end, notes payable totaled $18.4 million. As of 2015 year end, the 2017 Notes were included in Long-term debt on the accompanying Condensed Consolidated Balance Sheet as their scheduled maturity was in excess of one year of the 2015 year-end balance sheet date. There were no commercial paper borrowings outstanding as of April 2, 2016 or January 2, 2016.

Accounts payable of $161.7 million as of April 2, 2016 increased $13.4 million from 2015 year-end levels; excluding $0.9 million of currency translation impacts, accounts payable increased $12.5 million primarily due to the timing of payments.

Other accrued liabilities of $320.8 million as of April 2, 2016, increased $24.8 million from 2015 year-end levels; excluding $2.1 million of currency translation impacts, other accrued liabilities increased $22.7 million primarily due to higher income and other tax accruals.

Long-term debt of $714.6 million as of April 2, 2016, consisted of (i) $250 million of unsecured 4.25% notes that mature in 2018; (ii) $200 million of unsecured 6.70% notes that mature in 2019; (iii) $250 million of unsecured 6.125% notes that mature in 2021; and (iv) $14.6 million of other long-term debt, including fair value adjustments related to interest rate swaps.

SNAP-ON INCORPORATED

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(continued)

Snap-on has a 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 April 2, 2016. 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 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 April 2, 2016, the company s actual ratios of 0.23 and 0.93 respectively, were both within the permitted ranges set forth in this financial covenant.

Snap-on s Credit Facility and other debt agreements also contain certain usual and customary borrowing, affirmative, negative and maintenance covenants. As of April 2, 2016, 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 repayments (including the repayment of the 2017 Notes), 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 additional 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 Condensed Consolidated Statements of Cash Flows.

Operating Activities

Net cash provided by operating activities was $141.6 million and $78.1 million in the first quarters of 2016 and 2015, respectively. The $63.5 million increase in net cash provided by operating activities in 2016 primarily reflects higher net earnings in 2016 and net changes in operating assets and liabilities, including $20.0 million of discretionary cash contributions to the company s domestic pension plans.

Investing Activities

Net cash used by investing activities of $79.6 million in the first quarter of 2016 included additions to, and collections of, finance receivables of $230.9 million and $174.1 million, respectively. Net cash used by investing activities of $59.5 million in the first quarter of 2015 included additions to, and collections of, finance receivables of $198.8 million and $160.2 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.

SNAP-ON INCORPORATED

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(continued)

Capital expenditures of $19.5 million in the first quarter of 2016 compared to $18.1 million in the first quarter of last year. Capital expenditures in both years included continued investments related to the company s execution of its strategic Value Creation Processes around safety, quality, customer connection, innovation and Rapid Continuous Improvement.

Financing Activities

Net cash used by financing activities was $49.3 million in the first quarter of 2016. Net cash used by financing activities of $35.3 million in the first quarter of 2015 included $22.8 million of proceeds from a net increase in short-term borrowings.

Proceeds from stock purchase and option plan exercises totaled $9.9 million and $14.5 million in the respective first quarters of 2016 and 2015. 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 the first quarter of 2016, Snap-on repurchased 157,000 shares of its common stock for $23.1 million under its previously announced share repurchase programs. In the first quarter of 2015, Snap-on repurchased 340,000 shares of its common stock for $49.7 million under its previously announced share repurchase programs. As of April 2, 2016, Snap-on had remaining availability to repurchase up to an additional $230.9 million in common stock pursuant to its Board of Directors (Board) authorizations. The purchase of Snap-on common stock is at the company s discretion, subject to prevailing financial and market conditions. 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 additional share repurchases, if any, in 2016.

Snap-on has paid consecutive quarterly cash dividends, without interruption or reduction, since 1939. Cash dividends totaled $35.4 million and $30.9 million in the first quarters of 2016 and 2015, respectively. On November 9, 2015, the Board increased the quarterly cash dividend by 15.1% to $0.61 per share ($2.44 per share per year). 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

The company had no off-balance sheet arrangements as of April 2, 2016.

Critical Accounting Policies and Estimates

Snap-on s disclosures of its critical accounting policies, which are contained in its Annual Report on Form 10-K for the fiscal year ended January 2, 2016, have not materially changed since that report was filed.

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 also 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 continues to expect that capital expenditures in 2016 will be in a range of $80 million to $90 million. Snap-on also continues to anticipate that its full year 2016 effective income tax rate will be comparable to its 2015 full year rate.

Item 3: Quantitative and Qualitative Disclosures About Market Risk

Market, Credit and Economic Risks

Market risk is the potential economic loss that may result from adverse changes in the fair value of financial instruments. Snap-on is exposed to market risk from changes in 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 9 to the Condensed 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 9 to the Condensed 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 April 2, 2016, was $0.7 million on interest rate-sensitive financial instruments and $0.7 million on foreign currency-sensitive financial instruments. The VAR model is a risk management tool and does not purport to represent actual losses in fair value that will be incurred by Snap-on, nor does it consider the potential effect of favorable changes in market factors.

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 9 to the Condensed Consolidated Financial Statements for additional information on stock-based deferred compensation risk management.

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.

Item 4: 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 April 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 April 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 April 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)).

PART II. OTHER INFORMATION

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

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 first quarter of fiscal 2016, 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 *
01/03/16 to 01/30/16				$ 224.9 million
01/31/16 to 02/27/16	81,600	$ 143.17	81,600	$ 216.6 million
02/28/16 to 04/02/16	75,400	$ 151.57	75,400	$ 230.9 million
Total/Average	157,000	$ 147.21	157,000	N/A

N/A: Not applicable

* Subject to further adjustment pursuant to the 1996 Authorization described below, as of April 2, 2016, the approximate value of shares that may yet be purchased pursuant to the three outstanding Board authorizations discussed below is $230.9 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 $161.56, $147.23 and $159.24 per share of common stock as of the end of the fiscal 2016 months ended January 30, 2016, February 27, 2016, and April 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.

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.

Other Purchases or Sales of Equity Securities

The following chart discloses information regarding transactions in shares of Snap-on s common stock by Citibank, N.A. (Citibank) during the first quarter of 2016 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 Purchases (Sales) of Snap-on Stock

Period	Shares purchased (sold)	Average price per share
01/03/16 to 01/30/16		
01/31/16 to 02/27/16	29,000	$ 138.18
02/28/16 to 04/02/16	(3,600)	$ 150.10
Total/Average	25,400	$ 136.49

48

Item 6: Exhibits

Exhibit 31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
Exhibit 31.2	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
Exhibit 32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
Exhibit 32.2	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
Exhibit 101.INS	XBRL Instance Document*
Exhibit 101.SCH	XBRL Taxonomy Extension Schema Document*
Exhibit 101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document*
Exhibit 101.DEF	XBRL Taxonomy Extension Definition Linkbase Document*
Exhibit 101.LAB	XBRL Taxonomy Extension Label Linkbase Document*
Exhibit 101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document*

* Attached as Exhibit 101 to this report are the following documents formatted in XBRL (Extensible Business Reporting Language): (i) Condensed Consolidated Statements of Earnings for the three months ended April 2, 2016, and April 4, 2015; (ii) Condensed Consolidated Statements of Comprehensive Income for the three months ended April 2, 2016, and April 4, 2015; (iii) Condensed Consolidated Balance Sheets as of April 2, 2016, and January 2, 2016; (iv) Condensed Consolidated Statements of Equity for the three months ended April 2, 2016, and April 4, 2015; (v) Condensed Consolidated Statements of Cash Flows for the three months ended April 2, 2016, and April 4, 2015; and (vi) Notes to Condensed Consolidated Financial Statements.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, Snap-on Incorporated has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SNAP-ON INCORPORATED

Date: April 21, 2016

/s/ Aldo J. Pagliari

Aldo J. Pagliari, Principal Financial Officer,
Senior Vice President Finance and
Chief Financial Officer

EXHIBIT INDEX

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