SNAP-ON Inc
Form 10-Q
April 19, 2012
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark one)

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended **March 31, 2012**

OR

¨ **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 1-7724

(Exact name of registrant as specified in its charter)

Delaware	**39-0622040**
(State of incorporation)	*(I.R.S. Employer Identification No.)*
2801 80th Street, Kenosha, Wisconsin	**53143**
(Address of principal executive offices)	*(Zip code)*

(262) 656-5200

(Registrant s telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, 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 x No ¨

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 x   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 x

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

Class	Outstanding at April 13, 2012
Common Stock, $1.00 par value	58,104,624 shares

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PART I. FINANCIAL INFORMATION

Item 1: Financial Statements

SNAP-ON INCORPORATED

CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS

(Amounts in millions, except per share data)

(Unaudited)

	Three Months Ended	
	March 31, 2012	April 2, 2011
Net sales	$ 735.2	$ 693.7
Cost of goods sold	(387.5)	(363.1)
Gross profit	347.7	330.6
Operating expenses	(250.2)	(243.3)
Operating earnings before financial services	97.5	87.3
Financial services revenue	38.0	25.8
Financial services expenses	(14.1)	(13.3)
Operating earnings from financial services	23.9	12.5
Operating earnings	121.4	99.8
Interest expense	(13.9)	(16.3)
Other income (expense) net	(0.4)	0.8
Earnings before income taxes and equity earnings	107.1	84.3
Income tax expense	(35.2)	(27.2)
Earnings before equity earnings	71.9	57.1
Equity earnings, net of tax	1.1	0.9
Net earnings	73.0	58.0
Net earnings attributable to noncontrolling interests	(2.0)	(1.8)
Net earnings attributable to Snap-on Incorporated	$ 71.0	$ 56.2
Net earnings per share attributable to Snap-on Incorporated:		
Basic	$ 1.22	$ 0.97
Diluted	1.21	0.96
Weighted-average shares outstanding:		
Basic	58.2	58.2
Effect of dilutive options	0.6	0.5

Diluted		58.8		58.7
Dividends declared per common share	$	0.34	$	0.32

See Notes to Condensed Consolidated Financial Statements.

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SNAP-ON INCORPORATED

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in millions)

(Unaudited)

	Three Months Ended	
	March 31, 2012	April 2, 2011
Comprehensive income (loss):		
Net earnings	$ 73.0	$ 58.0
Other comprehensive income (loss):		
Foreign currency translation	28.6	64.5
Change in cash flow hedges	(0.1)	(0.1)
Total comprehensive income	101.5	122.4
Comprehensive income attributable to noncontrolling interests	(2.0)	(1.8)
Comprehensive income attributable to Snap-on Incorporated	$ 99.5	$ 120.6

See Notes to Condensed Consolidated Financial Statements.

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SNAP-ON INCORPORATED

CONDENSED CONSOLIDATED BALANCE SHEETS

(Amounts in millions, except share data)

(Unaudited)

	March 31, 2012	December 31, 2011
ASSETS		
Current assets		
Cash and cash equivalents	$ 161.6	$ 185.6
Trade and other accounts receivable net	463.1	463.5
Finance receivables net	291.7	277.2
Contract receivables net	48.2	49.7
Inventories net	395.8	386.4
Deferred income tax assets	83.9	92.6
Prepaid expenses and other assets	90.3	75.7
Total current assets	1,534.6	1,530.7
Property and equipment		
Land	20.1	19.8
Buildings and improvements	276.9	274.9
Machinery, equipment and computer software	654.1	632.3
	951.1	927.0
Accumulated depreciation and amortization	(590.4)	(574.1)
Property and equipment net	360.7	352.9
Deferred income tax assets	122.7	125.2
Long-term finance receivables net	445.2	431.8
Long-term contract receivables net	171.5	165.1
Goodwill	804.9	795.8
Other intangibles net	188.4	188.3
Other assets	81.9	83.1
Total assets	$ 3,709.9	$ 3,672.9

See Notes to Condensed Consolidated Financial Statements.

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SNAP-ON INCORPORATED

CONDENSED CONSOLIDATED BALANCE SHEETS

(Amounts in millions, except share data)

(Unaudited)

	March 31, 2012	December 31, 2011
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities		
Notes payable and current maturities of long-term debt	$ 14.0	$ 16.2
Accounts payable	139.0	124.6
Accrued benefits	50.0	48.8
Accrued compensation	65.0	91.0
Franchisee deposits	48.4	47.3
Other accrued liabilities	249.5	255.9
Total current liabilities	565.9	583.8
Long-term debt	965.5	967.9
Deferred income tax liabilities	110.6	108.1
Retiree health care benefits	51.5	52.8
Pension liabilities	306.3	317.7
Other long-term liabilities	90.2	95.3
Total liabilities	2,090.0	2,125.6
Commitments and contingencies (Note 13)		
Shareholders equity		
Shareholders equity attributable to Snap-on Incorporated		
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 67,342,973 and 67,335,341 shares)	67.3	67.3
Additional paid-in capital	188.5	181.4
Retained earnings	1,894.6	1,843.7
Accumulated other comprehensive loss	(146.1)	(174.6)
Treasury stock at cost (9,239,260 and 9,110,389 shares)	(400.9)	(386.9)
Total shareholders equity attributable to Snap-on Incorporated	1,603.4	1,530.9
Noncontrolling interests	16.5	16.4
Total shareholders equity	1,619.9	1,547.3
Total liabilities and shareholders equity	$ 3,709.9	$ 3,672.9

See Notes to Condensed Consolidated Financial Statements.

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SNAP-ON INCORPORATED

CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY

(Amounts in millions, except share data)

(Unaudited)

The following summarizes the changes in total shareholders equity for the three month period ending March 31, 2012:

	Shareholders equity attributable to Snap-on Incorporated						
(Amounts in millions, except share data)	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Noncontrolling Interests	Total Shareholders Equity
Balance at December 31, 2011	$ 67.3	$ 181.4	$ 1,843.7	$ (174.6)	$ (386.9)	$ 16.4	$ 1,547.3
Net earnings for the three months ended March 31, 2012			71.0			2.0	73.0
Foreign currency translation				28.6			28.6
Change in cash flow hedges				(0.1)			(0.1)
Cash dividends $0.34 per share			(20.1)				(20.1)
Dividend reinvestment plan and other		0.4				(1.9)	(1.5)
Stock compensation plans		4.7			15.9		20.6
Share repurchases 488,000 shares					(29.9)		(29.9)
Tax benefit from certain stock options		2.0					2.0
Balance at March 31, 2012	$ 67.3	$ 188.5	$ 1,894.6	$ (146.1)	$ (400.9)	$ 16.5	$ 1,619.9

The following summarizes the changes in total shareholders equity for the three month period ending April 2, 2011:

	Shareholders equity attributable to Snap-on Incorporated						
(Amounts in millions, except share data)	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Noncontrolling Interests	Total Shareholders Equity
Balance at January 1, 2011	$ 67.3	$ 169.2	$ 1,644.1	$ (104.8)	$ (387.3)	$ 15.9	$ 1,404.4
Net earnings for the three months ended April 2, 2011			56.2			1.8	58.0
Foreign currency translation				64.5			64.5
Change in cash flow hedges				(0.1)			(0.1)
Cash dividends $0.32 per share			(18.9)				(18.9)
Dividend reinvestment plan and other		0.5				(1.8)	(1.3)
Stock compensation plans		3.5			11.8		15.3
Share repurchases 296,000 shares					(17.6)		(17.6)
Tax benefit from certain stock options		1.3					1.3
Balance at April 2, 2011	$ 67.3	$ 174.5	$ 1,681.4	$ (40.4)	$ (393.1)	$ 15.9	$ 1,505.6

See Notes to Condensed Consolidated Financial Statements.

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SNAP-ON INCORPORATED

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW

(Amounts in millions)

(Unaudited)

	Three Months Ended March 31, 2012	Three Months Ended April 2, 2011
Operating activities:		
Net earnings	$ 73.0	$ 58.0
Adjustments to reconcile net earnings to net cash provided (used) by operating activities:		
Depreciation	12.6	12.4
Amortization of other intangibles	6.4	5.9
Provision for losses on finance receivables	3.9	1.8
Provision for losses on non-finance receivables	2.8	5.7
Stock-based compensation expense	8.7	5.9
Excess tax benefits from stock-based compensation	(2.0)	(1.3)
Deferred income tax provision	13.4	3.6
Gain on sale of assets	(0.8)	
Changes in operating assets and liabilities:		
(Increase) decrease in trade and other accounts receivable	3.0	(9.5)
(Increase) decrease in contract receivables	(4.2)	(7.5)
(Increase) decrease in inventories	(4.1)	(29.3)
(Increase) decrease in prepaid and other assets	(20.4)	(11.5)
Increase (decrease) in accounts payable	15.0	(6.3)
Increase (decrease) in accruals and other liabilities	(42.3)	
Net cash provided by operating activities	65.0	27.9
Investing activities:		
Additions to finance receivables	(135.5)	(128.2)
Collections of finance receivables	106.1	86.8
Capital expenditures	(21.8)	(18.6)
Disposal of property and equipment	1.9	0.2
Net cash used by investing activities	(49.3)	(59.8)
Financing activities:		
Proceeds from short-term borrowings	6.5	9.6
Repayments of short-term borrowings	(7.7)	(8.5)
Net increase (decrease) in other short-term borrowings	(1.0)	0.5
Purchase of treasury stock	(29.9)	(17.6)
Proceeds from stock purchase and option plans	13.3	11.8
Cash dividends paid	(20.1)	(18.9)
Excess tax benefits from stock-based compensation	2.0	1.3
Other	(3.6)	(2.1)
Net cash used by financing activities	(40.5)	(23.9)
Effect of exchange rate changes on cash and cash equivalents	0.8	0.9
Decrease in cash and cash equivalents	(24.0)	(54.9)

Cash and cash equivalents at beginning of year	185.6	572.2
Cash and cash equivalents at end of period	$ 161.6	$ 517.3
Supplemental cash flow disclosures:		
Cash paid for interest	$ (26.2)	$ (24.1)
Net cash paid for income taxes	(6.9)	(8.7)

See Notes to Condensed Consolidated Financial Statements

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SNAP-ON INCORPORATED

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Note 1: Summary of Accounting Policies

Principles of consolidation and presentation

The Condensed Consolidated Financial Statements include the accounts of Snap-on Incorporated (Snap-on or the company), and its wholly-owned and majority-owned subsidiaries. These financial statements should be read in conjunction with, and have been prepared in conformity with, the accounting principles reflected in the consolidated financial statements and related notes included in Snap-on s 2011 Annual Report on Form 10-K for the fiscal year ended December 31, 2011 (2011 year end). The company s 2012 fiscal first quarter ended on March 31, 2012; the 2011 fiscal first quarter ended on April 2, 2011.

Snap-on accounts for investments in unconsolidated affiliates where Snap-on has a significant influence under the equity method of accounting. Investments in unconsolidated affiliates of $42.7 million as of March 31, 2012, and $40.7 million as of December 31, 2011, are included in Other assets on the accompanying Condensed Consolidated Balance Sheets. No equity investment dividends were received in the first quarters of 2012 or 2011. In the normal course of business, the company may purchase products or services from unconsolidated affiliates; purchases from unconsolidated affiliates were $4.5 million and $5.6 million in the first quarters of 2012 and 2011, respectively. The Condensed Consolidated Financial Statements do not include the accounts of the company s independent franchisees. Snap-on s Condensed Consolidated Financial Statements are prepared in conformity with generally accepted accounting principles in the United States of America (U.S. GAAP). All significant intercompany accounts and transactions have been eliminated.

Snap-on Credit LLC (SOC) is the company s financial services operation in the United States. Snap-on terminated its SOC financial services joint venture agreement with CIT Group Inc. (CIT) in July 2009 and subsequently acquired CIT s 50%-ownership interest in SOC. As a result, SOC became a wholly-owned subsidiary of Snap-on and Snap-on began providing financing for the majority of new loans originated by SOC; prior to July 2009, substantially all of the loans originated by SOC were sold to CIT.

In the opinion of management, all adjustments (consisting of normal recurring adjustments) necessary for the fair presentation of the Condensed Consolidated Financial Statements for the three month periods ended March 31, 2012, and April 2, 2011, have been made. Interim results of operations are not necessarily indicative of the results to be expected for the full fiscal year.

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 approximate fair value, due to their short-term nature, or fair value is based upon a discounted cash flow analysis or quoted market values. See Note 8 for further information on financial instruments.

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SNAP-ON INCORPORATED

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Unaudited)

New Accounting Standards

Goodwill

The Financial Accounting Standards Board (FASB) issued updated authoritative guidance in September 2011 to amend previous guidance on the annual and interim testing of goodwill for impairment; the guidance became effective for Snap-on at the beginning of its 2012 fiscal year. The guidance provides entities with the option of first assessing qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If it is determined, on the basis of qualitative factors, that the fair value of the reporting unit is more likely than not less than the carrying amount, the two-step impairment test would still be required. Annual impairment tests are performed by the company in the second quarter of each year. The adoption of this updated authoritative guidance is not expected to have a significant impact on the company s Condensed Consolidated Financial Statements.

Fair Value Measurements

The FASB issued updated authoritative guidance in May 2011 to amend fair value measurements and related disclosures; the guidance became effective for Snap-on at the beginning of its 2012 fiscal year. This guidance relates to a major convergence project of the FASB and the International Accounting Standards Board to improve International Financial Reporting Standards (IFRS) and U.S. GAAP. This guidance results in a consistent definition of fair value and common requirements for measurement of and disclosure about fair value between IFRS and U.S. GAAP. The guidance also changes some fair value measurement principles and enhances disclosure requirements related to activities in Level 3 of the fair value hierarchy. The adoption of this updated authoritative guidance had no impact on the company s Condensed Consolidated Financial Statements.

Disclosures Relating to Comprehensive Income

The FASB issued updated authoritative guidance in June 2011 to amend the presentation of comprehensive income in financial statements. The FASB also issued an accounting standards update in December 2011 that indefinitely deferred certain financial statement presentation provisions contained in its original June 2011 guidance. The guidance, which became effective for Snap-on on a retrospective basis at the beginning of its 2012 fiscal year, gives companies the option to present other comprehensive income in either a single continuous statement or in two separate but consecutive statements. Under both alternatives, companies are required to annually present each component of comprehensive income. The adoption of this updated authoritative guidance impacted the presentation of the company s Condensed Consolidated Statements of Comprehensive Income, but it did not change the items that must be reported in other comprehensive income or when an item of other comprehensive income must be reclassified to net income.

Note 2: Accounts Receivable

Trade and Other Accounts Receivable

Snap-on s trade and other accounts receivable primarily arise from the sale of tools, diagnostics and equipment 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.

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SNAP-ON INCORPORATED

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Unaudited)

The components of Snap-on s trade and other accounts receivable as of March 31, 2012, and December 31, 2011, are as follows:

(Amounts in millions)	March 31, 2012	December 31, 2011
Trade and other accounts receivable	$ 484.7	$ 485.5
Allowances for doubtful accounts	(21.6)	(22.0)
Total trade and other accounts receivable net	$ 463.1	$ 463.5

Finance and Contract Receivables

SOC originates extended-term finance and contract receivables on sales of Snap-on product sold 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 Condensed Consolidated Statements of Earnings.

Snap-on s finance receivables are comprised of extended-term installment loans to technicians (i.e., franchisees customers) to enable them to purchase tools, diagnostics and equipment on an extended-term payment plan, generally with average payment terms of 32 months. Contract receivables, with payment terms of up to 10 years, are comprised of extended-term installment loans to a broad base of industrial and other customers worldwide, including shop owners, both independents and national chains, for their purchase of tools, diagnostics and equipment. Contract receivables also include extended-term installment loans to franchisees to meet a number of financing needs including van and truck leases, working capital loans, and loans to enable new franchisees to fund the purchase of the franchise. Finance and contract receivables are generally secured by the underlying tools, diagnostics or equipment financed and, for installment loans to franchisees, other franchisee assets.

During both the three months ended March 31, 2012, and the fiscal year ended December 31, 2011, Snap-on did not purchase or sell any finance or contract receivables.

The components of Snap-on s current finance and contract receivables as of March 31, 2012, and December 31, 2011, are as follows:

(Amounts in millions)	March 31, 2012	December 31, 2011
Finance receivables, net of unearned finance charges of $8.4 million and $7.6 million	$ 299.9	$ 285.3
Contract receivables, net of unearned finance charges of $10.4 million and $9.1 million	49.8	51.2
Total	349.7	336.5
Allowances for doubtful accounts:		
Finance receivables	(8.2)	(8.1)
Contract receivables	(1.6)	(1.5)
Total	(9.8)	(9.6)

Total current finance and contract receivables net	$ 339.9	$ 326.9

Finance receivables net	$ 291.7	$ 277.2
Contract receivables net	48.2	49.7
Total current finance and contract receivables net	$ 339.9	$ 326.9

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SNAP-ON INCORPORATED

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Unaudited)

The components of Snap-on s finance and contract receivables with payment terms beyond one year as of March 31, 2012, and December 31, 2011, are as follows:

(Amounts in millions)	March 31, 2012	December 31, 2011
Finance receivables, net of unearned finance charges of $9.9 million and $9.4 million	$ 461.5	$ 447.9
Contract receivables, net of unearned finance charges of $15.3 million and $12.1 million	174.3	167.7
Total	635.8	615.6
Allowances for doubtful accounts:		
Finance receivables	(16.3)	(16.1)
Contract receivables	(2.8)	(2.6)
Total	(19.1)	(18.7)
Total long-term finance and contract receivables net	$ 616.7	$ 596.9
Finance receivables net	$ 445.2	$ 431.8
Contract receivables net	171.5	165.1
Total long-term finance and contract receivables net	$ 616.7	$ 596.9

Delinquency is the primary indicator of credit quality for finance and contract receivables. Receivable balances are considered delinquent when contractual payments on the loans become 30 days past due.

Finance receivables are generally placed on nonaccrual status (nonaccrual of interest and other fees) (i) when a customer is placed on repossession status; (ii) upon receipt of notification of bankruptcy; (iii) upon the death of a customer; or (iv) in other instances in which management concludes collectability is not reasonably assured. Finance receivables that are considered nonperforming include receivables that are on nonaccrual status and receivables that are generally more than 90 days past due.

Contract receivables are generally placed on nonaccrual status (i) when a receivable is more than 90 days past due or at the point a customer s account is placed on terminated status regardless of its delinquency status; (ii) upon the death of a customer; or (iii) in other instances in which management concludes collectability is not reasonably assured. Contract receivables that are considered nonperforming include receivables that are on nonaccrual status and receivables that are generally more than 90 days past due.

The accrual of interest and other fees is resumed when the finance or contract receivable becomes contractually current and collection of all remaining contractual amounts due is reasonably assured. Finance and contract receivables are evaluated for impairment on a collective basis. 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 loan agreement. Impaired receivables are covered by the company s finance and contract allowances for doubtful accounts reserves and are charged-off against the reserves when appropriate. As of March 31, 2012, and December 31, 2011, there were $11.3 million and $11.5 million, respectively, of impaired finance receivables, and there were $0.8 million and $0.7 million, respectively, of impaired contract receivables.

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SNAP-ON INCORPORATED

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Unaudited)

The aging of finance and contract receivables as of March 31, 2012, and December 31, 2011, is as follows:

(Amounts in millions)	30-59 Days Past Due	60-90 Days Past Due	Greater Than 90 Days Past Due	Total Past Due	Total Not Past Due	Total	Greater Than 90 Days Past Due and Accruing
March 31, 2012:							
Finance receivables	$ 5.8	$ 3.8	$ 6.7	$ 16.3	$ 745.1	$ 761.4	$ 4.8
Contract receivables	0.8	0.5	0.7	2.0	222.1	224.1	0.3
December 31, 2011:							
Finance receivables	$ 8.0	$ 3.0	$ 6.6	$ 17.6	$ 715.6	$ 733.2	$ 4.8
Contract receivables	0.9	0.4	0.6	1.9	217.0	218.9	0.2

The amount of performing and nonperforming finance and contract receivables based on payment activity as of March 31, 2012, and December 31, 2011, is as follows:

	March 31, 2012		December 31, 2011	
(Amounts in millions)	Finance Receivables	Contract Receivables	Finance Receivables	Contract Receivables
Performing	$ 750.1	$ 223.3	$ 721.7	$ 218.2
Nonperforming	11.3	0.8	11.5	0.7
Total	$ 761.4	$ 224.1	$ 733.2	$ 218.9

The amount of finance and contract receivables on nonaccrual status as of March 31, 2012, and December 31, 2011, is as follows:

(Amounts in millions)	March 31, 2012	December 31, 2011
Finance receivables	$ 6.6	$ 6.8
Contract receivables	0.8	0.7

The following is a rollforward of the allowances for credit losses for finance and contract receivables for the three months ended March 31, 2012, and April 2, 2011:

	Three Months Ended March 31, 2012		Three Months Ended April 2, 2011	
(Amounts in millions)	Finance Receivables	Contract Receivables	Finance Receivables	Contract Receivables

Allowances for doubtful accounts:				
Beginning of year	$ 24.2	$ 4.1	$ 21.5	$ 4.0
Provision for bad debt expense	3.9	0.5	1.8	1.0
Charge-offs	(4.7)	(0.3)	(3.2)	(0.4)
Recoveries	1.1	0.1	1.0	0.2
End of period	$ 24.5	$ 4.4	$ 21.1	$ 4.8

SNAP-ON INCORPORATED

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Unaudited)

Prior to the 2009 termination of the financial services joint venture with CIT, SOC sold substantially all new finance and contract loan originations to CIT on a limited recourse basis; SOC retained the right to service such loans for a contractual servicing fee. As of March 31, 2012, the remaining portfolio of receivables owned by CIT that is being serviced by SOC was approximately $97.8 million, as compared to $119.5 million at December 31, 2011. Contractual servicing fees were $0.5 million for the three month period ended March 31, 2012, and $0.8 million for the three month period ended April 2, 2011.

Note 3: Inventories

Inventories by major classification are as follows:

(Amounts in millions)	March 31, 2012	December 31, 2011
Finished goods	$ 346.2	$ 343.8
Work in progress	37.7	32.2
Raw materials	82.5	80.5
Total FIFO value	466.4	456.5
Excess of current cost over LIFO cost	(70.6)	(70.1)
Total inventories net	$ 395.8	$ 386.4

Inventories accounted for using the first-in, first-out (FIFO) method as of both March 31, 2012, and December 31, 2011, approximated 62% of total inventories. The company accounts for its non-U.S. inventory on the FIFO basis. As of March 31, 2012, approximately 28% of the company s U.S. inventory was accounted for using the FIFO basis and 72% was accounted for using the last-in, first-out (LIFO) basis. There were no LIFO inventory liquidations in the three month periods ended March 31, 2012, or April 2, 2011.

Note 4: Intangible and Other Assets

The changes in the carrying amount of goodwill by segment for the three month period ended March 31, 2012, are as follows:

(Amounts in millions)	Commercial & Industrial Group	Snap-on Tools Group	Repair Systems & Information Group	Total
Balance as of December 31, 2011	$ 297.0	$ 12.5	$ 486.3	$ 795.8
Currency translation	7.8		1.3	9.1
Balance as of March 31, 2012	$ 304.8	$ 12.5	$ 487.6	$ 804.9

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Unaudited)

Additional disclosures related to other intangible assets are as follows:

	March 31, 2012		December 31, 2011	
(Amounts in millions)	Gross Carrying Value	Accumulated Amortization	Gross Carrying Value	Accumulated Amortization
Amortized other intangible assets:				
Customer relationships	$ 134.9	$ (47.6)	$ 134.4	$ (45.3)
Developed technology	19.3	(17.4)	19.1	(16.8)
Internally developed software	90.3	(55.4)	85.1	(52.0)
Patents	27.6	(18.3)	27.2	(17.8)
Trademarks	2.4	(1.4)	2.4	(1.2)
Other	7.0	(1.0)	7.0	(0.9)
Total	281.5	(141.1)	275.2	(134.0)
Non-amortized trademarks	48.0		47.1	
Total other intangible assets	$ 329.5	$ (141.1)	$ 322.3	$ (134.0)

Significant and unanticipated changes in circumstances, such as significant and long-term adverse changes in business climate, loss of key customers and/or changes in technology or markets, could require a provision for impairment of goodwill and/or other intangible assets in a future period. As of March 31, 2012, the company has no accumulated impairment losses.

The weighted-average amortization periods related to other intangible assets are as follows:

(In years)	Weighted-average Amortization
Customer relationships	16
Developed technology	5
Internally developed software	3
Patents	11
Trademarks	6
Other	39

Snap-on is amortizing its customer relationships on an accelerated basis over a 16 year weighted-average life; the remaining intangibles are amortized on a straight-line basis. The weighted-average amortization period for all amortizable intangibles on a combined basis is 13 years.

The company s customer relationships generally have contractual terms of three to five years and are typically renewed without significant cost to the company. The weighted-average 16 year life for customer relationships is based on the company s historical renewal experience. Intangible asset renewal costs are expensed as incurred.

The aggregate amortization expense was $6.4 million and $5.9 million for the three month periods ended March 31, 2012, and April 2, 2011, respectively. Based on current levels of amortizable intangible assets and estimated weighted-average useful lives, estimated annual amortization expense is expected to be $24.8 million in 2012, $19.2 million in 2013, $13.3 million in 2014, $9.9 million in 2015, $9.2 million in 2016 and $9.0 million in 2017.

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