Stanley Black & Decker’s evolution into a diversified global industrial enterprise entered an important phase in 2012 as we continued to execute against our long-term strategy and build a platform for lasting shareholder value creation.

With the integration efforts around the Stanley Black & Decker merger essentially complete and far exceeding expectations, we are taking the experience gained from our successful acquisition/integration program and applying those best practices to drive organic growth initiatives in our most promising markets and improve return on capital employed (ROCE) and cash flow return on investment (CFROI). Combined with the positive impact of the Stanley Fulfillment System (SFS) operating model and our long-standing cost and margin expansion discipline, these efforts should help ensure that the Company realizes the full benefits of our transformation in the years ahead, irrespective of the challenging macroeconomic environment.

For 2012, total revenues increased 8.0% to $10.2 billion. Earnings per share (EPS) were $4.67, excluding charges — approximately flat to the prior year, due to the impact of taxes, foreign exchange and significant market-driven headwinds at some of our more profitable businesses in Europe. Normalizing for a much lower tax rate in 2011, EPS increased 12%. Free cash flow, excluding charges, was approximately $1.1 billion, the dividend was increased by 20% for the second year in a row (extending the Company’s record for the longest consecutive annual and quarterly dividend payments among NYSE-listed industrial companies) and we repurchased $200 million of our stock in addition to the $850 million that is being executed in connection with the divestiture of our Hardware & Home Improvement business (HHI). Working capital turns increased to 7.5, as the benefits of the Stanley Fulfillment System were further realized across our global enterprise.

The Black & Decker Merger: Closing The Final Chapter

At the three-year anniversary of the merger, we can say with confidence that it was a resounding success by every measure. The rationale for combining The Stanley Works with The Black & Decker Corporation was clear from the outset: compelling shareholder value creation opportunities, attractive positions in markets and channels worldwide, an industry-leading array of products and services, a shared strong track record of innovation and proven operational capabilities on a global scale—and the results surpassed even our own high expectations.

By the end of 2013 we will have achieved $500 million in cost synergies, exceeding our original target of $350 million by 43%. In fact, the approximately $760 million in operating profit that our CDIY segment alone generated in 2012 surpassed the entire 2009 operating profit of all of the divisions of the stand-alone Stanley and Black & Decker companies combined. We exceeded our three-year EBITDA target of $1.5 billion in just two years and achieved our three-year EPS target in 2011, also well ahead of schedule. Revenue synergies, which were targeted to be between $300 and $400 million by the end of 2013, have already surpassed $300 million. We hit our post-merger free cash flow goal of $1 billion more than a year ahead of plan, and we have distributed a significant amount of it back to shareholders directly.

(1) All earnings and cash flow numbers referenced in this section exclude M&A-related charges/payments.
increasing our dividend by almost 50% and repurchasing over $550 million of our stock in addition to the HHI-related purchases since the end of 2009.

**Stanley Black & Decker: Looking Back and Looking Ahead**

Stanley Black & Decker today is a diversified global company with a solid track record of operational excellence, innovation and growth, and while our history dates back more than 170 years, the Company has truly been transformed over the last ten. Since 2003, revenues and EPS have grown at a 17% and 18% compound annual growth rate (CAGR), respectively. Over the same ten-year time period, we have increased our free cash flow from approximately $400 million a year to nearly $1.1 billion — and during that time have directly distributed more than half of it back to our shareholders.

During that period, while our Company advanced significantly, our strategy remained essentially unchanged:

1. **Continue Portfolio Transition Momentum:** By diversifying into higher growth, higher margin businesses, increasing our relative weighting in emerging markets and opportunistically consolidating within the tool industry.

2. **Be Selective and Operate in Markets Where Brand Is Meaningful, the Value Proposition Is Definable and Sustainable Through Innovation and Global Cost Leadership Is Achievable.**

3. **Pursue Growth on Multiple Fronts by Building Out Existing Growth Platforms Through Acquisition and Intensifying Focus on Organic Growth Initiatives.**

4. **Accelerate Progress via the Stanley Fulfillment System (SFS).**

Our success has been driven by several key factors. First, we have maintained a clear and consistent strategy while building a high performance culture with a focus on accountability and integrity. Second, we have developed an agile organization that stresses the importance of initiative and leadership at every level. And third, we have strong competencies across the Company, such as M&A and integration, cost control, tight P&L discipline and SFS — as well as functional excellence in areas such as Finance, HR, IT and Operations. These competencies and the accompanying strong financial track record have led us to significantly outperform the S&P 500 on a three-, five- and ten-year basis.

Importantly, we also take pride in our ability to learn and adapt. For example, our stock over the past 12–24 months has exhibited in-line performance to slight underperformance relative to peers and the S&P 500. To determine the cause, we examined all parts of the business and were drawn to our long-term financial objectives, which have been in place alongside our strategy for almost ten years. We recognized that we have met most of our objectives over the period: 10–12% total revenue growth, mid-teens EPS growth, free cash flow greater than or equal to our net income, continued dividend growth and strong investment grade credit rating.

However, one of our key financial objectives has not been met: growing organically 4–6% per year. Over the past ten years, excluding 2009, our average organic growth rate has been 3% (1% if 2009 is included). While many external factors have hindered our organic growth in recent years, we as a management team will not use market headwinds as an excuse, particularly as we do not anticipate any material improvement in the global macroeconomic environment in the next few years. We have instead redoubled our efforts around organic growth, largely by culling lessons and best practices from the many successful acquisitions we have completed over the years.

**Revving Up Organic Growth: Our 2015 Initiative**

The importance of generating organic growth cannot be overstated: our organic growth initiatives are expected to drive $850 million, or 2–3 points, in incremental revenue and $200 million in incremental profit by 2015. This, of course, is on top of the organic growth that the core franchise is expected to generate, bringing us to a 4–6% organic growth rate as a Company, in line with our long-term target. To support this increased growth we have committed to invest $100 million of incremental ongoing operational expense in these initiatives and $50 million of one-time capital expenditures.
We have identified six different organic growth areas of opportunity across the Company and across the globe that will enable us to meet our goals:

1. **Emerging Markets:** The largest area of opportunity, with an estimated $350 million in incremental revenue by 2015, is in emerging markets. Today, emerging markets make up approximately 15% of the Company’s revenues, which, while up from 11% two years ago and averaging 20% growth in the past five years, remains far from our 20%+ mid-decade goal. A large portion of the $65 million investment we are making in organic growth initiatives in 2013 will be allocated to opportunities in these regions. We started by moving the management of these various markets from a business-led center of gravity to a region-led center of gravity—with all emerging markets activities now overseen by the tested and proven former senior leader of our Latin American operations. Second, we are expanding from focusing solely on high price point products, which generally cover only 10–20% of the market, to putting our efforts and resources into locally designed and manufactured mid price point products, which will address approximately 70% of the market. This will require several new manufacturing facilities already underway: we acquired a plant in India in 2012, and have plans to build plants in China and Turkey and to expand our plant in Brazil. All of this will be accomplished with $50 million in one-time capital expenditures (over the three-year period) and through small acquisitions. Lastly, our CDIY and IAR businesses are working closely together to leverage relationships and cross selling opportunities in both channels across hand and power tools. This allows all of the products to be handled at a regional level to optimize growth, especially in the emerging markets.

2. **Smart Tools & Storage:** This initiative leverages our recent CribMaster and AeroScout acquisitions and should drive approximately $100 million in incremental revenue. It includes focusing on enhancing our maintenance, repair & operations (MRO) vending capabilities, tool locating/electronic sensing systems and increasing our sales force to drive revenue in this business. The initiative leverages proprietary technology to drive productivity and efficiency for industrial end users across the globe.

3. **Security and Healthcare Verticals:** We expect to generate approximately $150 million in revenue from the further build-out of our security and healthcare businesses. The acquisitions of Niscayah and AeroScout enable us to take a new approach to customers, where we can bring safety, security, efficiency and compliance to hospitals at a time when economic, demographic, social and regulatory imperatives are driving compelling cases for change. Additionally, the greater breadth and depth of products and services these acquisitions bring us allow our Security business to better penetrate a wide variety of industry verticals such as education, financial services and retail.

4. **U.S. Government:** We see an opportunity to grow share in the U.S. government market and expect to achieve $100 million in incremental organic growth over the next three years. We have recalibrated our go-to-market strategy and are adding to our sales forces in the regional areas outside of Washington, D.C., where key purchases are made within our CDIY, IAR, Healthcare and Security markets.

5. **Offshore Oil & Gas Pipeline Business:** Rooted in our 2010 acquisition of CRC-Evans was an offshore oil and gas pipeline business that we see as a powerful organic growth engine. This business has already been a great story for us and continues to grow. It represents approximately $100 million in revenue today and we are confident in our ability to double that by 2015 by pursuing two areas in particular. The first is building portable spool bases, a revolutionary idea generated by our team which allows spool bases to be transported close to where the wells are located as opposed to using fixed spool bases. The second is a major push into Malaysia where offshore activity has increased dramatically over the last few years.

6. **Black & Decker Revenue Synergies:** We expect to generate $50 million in incremental revenue from the final leg of the Black & Decker revenue synergies. These synergies result from a myriad of opportunities around the globe including brand expansion and leveraging complementary geographic and channel strengths. Two notable examples are the over 50% growth of the legacy Stanley hand tool business in Latin America.

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**MID-DECADE GOALS**

- **$15B** In Revenue
- **15%** Return on Capital Employed
- **>15%** Operating Margin
- **10** Working Capital Turns
- **>20%** Revenue in Emerging Markets

<table>
<thead>
<tr>
<th>OPERATING</th>
<th>INCOME</th>
<th>CAPITAL</th>
<th>EMPLOYED</th>
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<tr>
<td><strong>$15B</strong></td>
<td><strong>15%</strong></td>
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<tr>
<td>Revenue</td>
<td>Return</td>
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<td>Working</td>
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<td>in</td>
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**MID-DECADE GOALs**

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<tr>
<th>Operating Margin</th>
<th>Working Capital Turns</th>
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<tr>
<td><strong>10</strong></td>
<td><strong>15%</strong></td>
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**Revenue in Emerging Markets**
resulting from Black & Decker’s well-established distribution channels and the expansion of the Black & Decker manufacturing plant in Uberaba, Brazil to enable in-region hand tool manufacturing, a key cultural factor to successful growth.

We are approaching these organic growth initiatives with the rigor and precision, and the processes — program management, resource allocation, and tracking and monitoring — that we have used successfully for acquisition integrations in the past. This will be an ongoing journey to make organic growth an integral part of the fabric and culture of the Company, similar to our implementation of SFS in 2007, which made operational excellence and continuous improvement synonymous with Stanley Black & Decker.

While organic growth initiatives are high on our priority list, these initiatives will be on top of a core franchise which is still performing well. Our CDIY segment grew 5% organically in 2012 with very little help from the U.S. housing market, and maintained flat organic sales in Europe despite a contracting market there. Our Professional Power Tool business, largely the DeWALT brand, grew 8% organically for the year, while our Consumer Power Tool business grew 6% organically. These successes can be attributed to compelling new products like the DeWALT 18/20V lithium ion drills as well as our Black & Decker Gyro and Matrix products. Our Engineered Fastening business grew 9% organically for the year, far outpacing global light vehicle production, which grew 5%. We attribute this to increased platform penetration and the undeniable value propositions we partner with our customers to provide.

Portfolio Transformation
Since 2004, when our journey to transform our portfolio began, we have made more than 70 acquisitions, refined and sharpened our focus through thoughtful divestitures, and cultivated a globally diversified and resilient business. To that end, in 2012, we sold our Hardware & Home Improvement (HHI) business for $1.4 billion in cash — a meaningful step in the continued diversification of our revenue streams and geographic footprint. Given that approximately 90% of HHI’s revenues were from North America and more than 50% came through U.S. home centers, this outcome allowed us to redeploy cash in ways more consistent with the Company’s long-term strategic objectives. Additionally, in keeping with our goal of returning excess cash directly to shareholders, more than 65% of the $1.3 billion in after-tax proceeds are being used to repurchase shares, with a smaller portion going towards modest debt reduction to ensure the Company’s leverage ratios remain in its target range.

The remaining proceeds fund a portion of the acquisition of InfaTech, a leading global manufacturer and distributor of specialty engineered fastening technologies. This highly accretive acquisition is a perfect strategic fit for Stanley Black & Decker, as it adds to our strong position in specialty engineered fastening, increases our global footprint with an expanded presence in the

Executive Chairman Nolan D. Archibald Retires

After a remarkable 27-year career with the Company and its predecessors, Nolan Archibald, Executive Chairman of the Board of Stanley Black & Decker and former Chairman, CEO and President of the Black & Decker Corporation, retired on March 13, 2013. Mr. Archibald’s legacy is marked by numerous successes and milestones, with his crowning achievement most certainly his role in bringing together The Stanley Works and The Black & Decker Corporation.

Mr. Archibald first joined Black & Decker in 1985. In 1986 he was named President and Chief Executive Officer, which at age 42 made him the youngest CEO of any Fortune 500 company, and in 1987 was appointed Chairman of the Board. Mr. Archibald’s 24 years as CEO of Black & Decker also made him one of the longest serving CEOs of a Fortune 500 company. He was instrumental in building Black & Decker into a global leader in power tools and accessories, hardware and home improvement products, and technology-based fastening systems, tripling the Company in size to more than $6 billion in revenues and expanding its worldwide presence to more than 100 countries.

As CEO of Black & Decker, Mr. Archibald directed the launch of groundbreaking new products, diversified the Company’s end markets and geographies, expanded important business partnerships and oversaw key strategic acquisitions—including Emhart Corporation in 1989, which more than doubled the Company’s size. He notably built what is now one of the world’s most valuable tools franchises in DEWALT, the clear leader in professional power tools. Importantly, his efforts helped create significant value for Black & Decker shareholders with total returns exceeding 300% during his tenure, reflecting his long-term commitment to operational excellence and innovation.

Following the close of the merger of The Stanley Works and Black & Decker in early 2010, he was appointed to the Stanley Black & Decker Board of Directors and elected Executive Chairman. He played a key role in integrating the two organizations and made invaluable contributions to helping Stanley Black & Decker realize the full potential of the combination. Since the announcement of the merger in late 2009, Black & Decker shareholders have realized more than a 100% increase in their investment as the combined company far exceeded its targeted synergies.

The Board, management team and entire organization would like to acknowledge Mr. Archibald and thank him for his numerous contributions and dedicated service to the Company. He has been a great partner and friend, and an instrumental force in building the company that is today’s Stanley Black & Decker. We wish him, his wife Margaret and their family continued success, good health and happiness.
emerging markets, and brings a diverse and growing revenue base, strong margins, and solid financial track record to our portfolio. We expect this transaction to close during the first quarter of 2013.

As a result of the Infastech acquisition, total company revenues from the emerging markets will increase to approximately 16%, an important step towards the Company’s mid-decade goal of 20%+. In addition, with the acquisition of Infastech, the engineered fastening platform will be the first of the Company’s identified new growth platforms to achieve its mid-decade goal of $1–$2 billion in revenue.

With the Infastech integration ahead of us, the Niscayah integration approximately fifty percent complete and the Black & Decker integration in the final innings, we made the decision in late 2012 to take a brief, tactical pause from significant M&A activity while we focus on organic growth initiatives for the next 12–18 months. This will not preclude smaller deals in the emerging markets and — more importantly — does not change our strategy of continuous evolution into a diversified industrial company, but reflects our desire to be in position to realize more opportunities from our transformation in the near term, including an improving construction market.

We remain committed to ensuring we have a balanced and flexible capital allocation plan over the long term, in which roughly two-thirds of our free cash flow will be deployed to acquisitions, with a minimum of one-third returned to shareholders in the form of dividends and share repurchases. As has been the case for years, our portfolio strategy centers around a steady and methodical reallocation of capital to activities where superior returns are sustainable and above-portfolio-average organic growth is achievable, and to maintaining a strong investment grade credit rating to allow us that flexibility.

Importantly, we remain committed to our mid-decade goals:
- $15 Billion in Revenue
- Greater than 15% Operating Margin Rate
- Return on Capital Employed of 15%
- 10 Working Capital Turns
- 20%+ of Revenues from Emerging Markets

**Stanley Fulfillment System**

Our ability to increase our free cash flow to almost $1.1 billion in 2012 — as well as our consistent success in providing world-class products and services to our customers, increasing our internal efficiencies, effectively integrating acquisitions, and creating a culture of operational excellence — is directly attributable to the Stanley Fulfillment System, or SFS. Our results in 2012 drove an approximate 120% free cash flow conversion rate excluding charges and payments and this continues our track record of free cash flow.
exceeding net income every year since SFS’ inception in 2007. With the power of SFS behind us, we are laser-focused on our quest to return our working capital turns to the record-high level we had achieved prior to the Black & Decker merger and continue to make meaningful headway. In 2012, we achieved working capital turns of 7.5, a 42% increase from pro forma 2009 levels. This solid and sustained progress truly captures the critical role the Stanley Fulfillment System plays in the continued success of the Company. Simply put, SFS is key to our culture, our people, and our results, and it is a driving force behind the differentiated value we bring to our customers and our investors. It has been — and will continue to be — an opportunity for us to challenge ourselves to be an even better, more efficient organization. We are confident in our ability to utilize SFS in 2013 and beyond to achieve our goal of 10 working capital turns by the middle of the decade.

Summary
While we have a lot to be proud of, as we look to 2013 and beyond we know there is more to be done. Our management team has the experience, drive and fortitude to lead Stanley Black & Decker through what we anticipate to be a period of slow global economic recovery and to ensure we are moving forward to meet our goals. These goals are ambitious but achievable, and by being thoughtful, bold, determined and agile we remain confident we can deliver strong results for our shareholders. We are energized by the prospects of our organic growth initiatives and believe they will add a new dimension to our priorities of diversifying our revenue base, generating strong free cash flow, improving productivity and expanding margins while staying ahead in innovation. Our focus on these priorities extends from our Board of Directors out to all of our 45,000 employees around the world. It is their day-to-day efforts, superior skills, and dedication to the principles that have made Stanley Black & Decker a unique and enduring organization that will propel this Company forward. We have a bright future and many happy returns ahead.

John F. Lundgren
Chairman &
Chief Executive Officer
March 15, 2013
New Britain, CT

James M. Loree
President &
Chief Operating Officer

Financial Highlights**

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(1) Excludes merger and acquisition-related charges and payments.
* Refer to the inside back cover.
** In December 2012, the Company sold its Hardware & Home Improvement business. The results from 2008–2011 were recast for this divestiture, for comparability.