LETTER TO SHAREHOLDERS

In 2014 Stanley Black & Decker made significant progress towards our long-term financial objectives while continuing to position for a strong future.

We achieved record earnings per share and free cash flow and a cash conversion ratio of over 130% while delivering 5% organic growth in a slower global GDP environment. We enjoyed share gains in many of our businesses, most notably CDIY and Engineered Fastening, as well as success with our Vertical Markets initiative in Security. A sharp focus on cost control and a proactive approach to managing pricing and mix led to margin expansion across much of our portfolio despite severe foreign currency headwinds. A clear priority in 2014 was addressing our Security business' recent underperformance. We were pleased with the progress on this front, as Security stabilized in the first half of the year and continued forward on the path to recovery in the second half. Our Vertical Markets initiative has been a success in North America and the operational and commercial improvements implemented in Security Europe have positioned this business for improved results during 2015 and beyond. As a result of the overall Company's strong financial performance, we exited the year with a strong balance sheet and, consistent with our near-term capital allocation plan, we are positioned to ramp up our planned stock repurchases in 2015.

The market clearly recognized our performance as reflected in the 19% increase in our share price in 2014 compared to 2013, outperforming our peer group (up 14%) and the overall S&P (up 11%).

Our long-term mission and objectives remain firmly in place — to continue to invest in building world-class franchises with sustainable strategic characteristics that create exceptional shareholder value. Our opportunity is significant across our businesses: we plan to both leverage and build upon our existing scalable, world-class Tools and Engineered Fastening platforms while continuing to improve Security in order to reach its full potential.

2014 SUMMARY OF RESULTS

- Total revenues increased 4% to a record $11.3 billion, with organic growth of 5%
- Operating margin increased to 13.6%* compared to 12.7%* in 2013, a 90 basis point increase in the face of approximately $85 million of foreign currency headwinds
- Earnings per share increased 14% to a record $5.67* from $4.98* in 2013
- Free cash flow totaled a record $1 billion, up $477 million from 2013, and we rewarded our shareholders with our 47th consecutive annual dividend increase
- Working capital turns increased by over a full turn to 9.2 demonstrating the continued success of the Stanley Fulfillment System, with CDIY exceeding 10 turns for the first time

* Excluding charges

2014 BUSINESS HIGHLIGHTS

Notable 2014 highlights are summarized below:

- Generated overall organic growth of 5%. Organic growth in CDIY was 7% led by its European (+9%) and North American (+7%) operations, as share gains were powered by new product introductions and expanded retail partnerships. Engineered Fastening achieved 6% growth driven primarily by its automotive business volumes, which consistently outpaced global light vehicle production. Our IAR business was up 5% organically as well.
- Improved the Company's operating margin 90 basis points over 2013 to 13.6%* overcoming approximately $85 million of foreign currency headwinds. Our continued focus on surgical price actions and controlling expenses allowed us to realize strong operating leverage in a challenging business environment.
- Posted record operating margins in CDIY and Engineered Fastening. For the year, CDIY's operating margin rate expanded 70 basis points to 15.7%* and Industrial's operating margin rate reached 16.0%,* up 140 basis points versus the prior year.
- Launched mid-price point tool and storage products for the emerging markets. This initiative resulted in the Company posting organic growth of 5% within the emerging markets we serve, outpacing the GDP rates of such markets by 1–2X amid very challenging conditions. During the year we launched approximately 1,000 new mid-price point SKUs within the emerging markets, generating revenues of over $30 million.
- Generated approximately $140 million of revenues from Security's Vertical Markets initiative. Both orders and revenues from this initiative, which is primarily focused on the retail, financial, education and healthcare verticals, have exceeded initial expectations and we expect continued success in 2015.
- Stabilized our Security Europe business. Europe's operating margin rate improved sequentially each quarter during 2014 and its fourth quarter rate increased versus the prior year. We also announced, in December, the decision to divest Security's Spain and Italy operations, allowing us to focus on the regions within Europe that provide the highest revenue and margin growth potential.

LEVERAGING OUR WORLD-CLASS FRANCHISES

Tools & Storage: Our consumer, professional and industrial tools businesses in the aggregate represent the world's largest, best-positioned and most valuable global tools and storage franchise. Accordingly, we have recently taken steps to combine our CDIY and IAR businesses into a unified organization, which is expected to unlock yet another generation of cost and revenue synergy opportunities across the enterprise.

We have gained share each year since the merger with Black & Decker through a relentless commitment to innovation, leveraging our strong brands and expanding our customer partnerships. We have successfully capitalized on many of the growth opportunities afforded by the Black & Decker merger, leveraging our brands, geographies and scale. IAR has also harnessed electronics, software and RFID technology to launch a successful foray into advanced industrial solutions.

Our recent thrust into emerging markets through a globally coordinated, combined CDIY/IAR organization with increased feet on the street and a host of new products — designed in

* Excluding charges

these markets, for these markets — is expected to continue to produce share gains in emerging markets for years to come. And the CDIY innovation machine is working on breakthrough technology that has the potential to support growth momentum in developed markets well through the latter part of the decade.

The global tools market remains fragmented despite CDIY/IAR's strong #1 market position and high relative market share. Our combined global share in tools is approximately 20%, so continued consolidation of the tools industry through bolt-on acquisitions presents an opportunity to create value by leveraging our scale and filling gaps in existing product and geographic offerings.

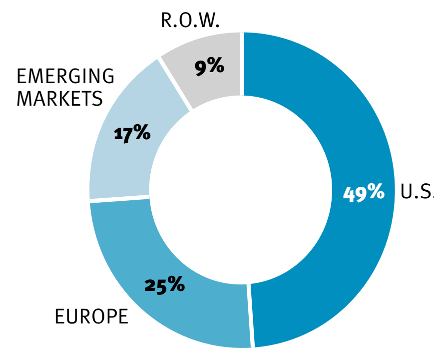
Engineered Fastening: Engineered Fastening is also an attractive high growth, high margin franchise with global reach. Our ability to expand the market through increased platform penetration enables the business to generate organic growth at increased multiples of end-market growth rates. Due to its high value-added business model, Engineered Fastening has unique expertise in a highly technical field and is a critical design and supply chain partner to our automotive and other customers. As a consequence, we command strong margins on equipment sales and a recurring revenue stream for the life of the platform, in most cases. Recently, with the successful addition of Infastech, Engineered Fastening has also achieved strong operating leverage while bolstering its growth and profitability in electronics and other manufacturing verticals. Looking ahead, Engineered Fastening remains one of our highest priority growth platforms and we see a significant opportunity to expand this business both organically and through accretive acquisitions.

Security: Our Security segment, which represents approximately 20% of the Company's total revenues, is the #2 commercial electronic security services provider in the world, with a broad global footprint, a comprehensive suite of security products, services and solutions, and enormous strategic potential. Historically, Security represented a source of stable, above Company line average operating margin and provided a source of profit when revenues declined in CDIY and Industrial during the 2008–2009 period.

Since acquiring Niscayah in 2011, however, Security has pressured both organic revenue and operating margin growth. We believe we are now on a path to organic growth as well as restoring operating margin to the mid-teens with rigorous, disciplined management; however, we estimate it will take two plus years to achieve this. Importantly, the overall turnaround depends upon, among other things, our success in scaling and exploiting the Vertical Market initiative that is beginning to produce results in North America. The Vertical initiative: (1) affords us the ability to differentiate our value proposition, (2) enables us to grow organically with premium gross margins, and (3) positions us favorably as advances in software, electronics and advanced analytics inevitably blur the distinction between commercial security and various adjacencies. It will also be important for Security Europe to successfully market these solutions, as well as grow its monitoring recurring revenue base as its turnaround progresses.

Although much has been accomplished during the past year, the Security turnaround is still in the relatively early stages. We do, however, have the right people, the right strategy and are in the right markets, giving us cause for cautious optimism that we can return this business to successful levels of growth and profitability and therefore secure its place as part of our long-term portfolio.

2014 GLOBAL PRESENCE
(% OF 2014 REVENUES)



STATE OF THE BRANDS

Stanley Black & Decker's three flagship brands, STANLEY, DEWALT and BLACK+DECKER are all very strong; however, each is in a unique situation.

The STANLEY brand's recent facelift has been very well received with unaided awareness at the highest levels of the last ten years and almost two times higher than a decade ago. The new brand is far more visible than its predecessor and plays well across the diverse businesses beyond tools. It is also a huge asset in emerging markets where it is being deployed globally as a high quality, high value 'mid-price point plus' power and hand tools brand targeted at the professional but positioned below DEWALT.

DEWALT awareness remains at the highest level among professionals in the U.S. and strong in many regions of the world with a stable trend. In this case, brand strength emanates from the power of its user experience, which is enhanced by our innovation engine and extensive global marketing activities.

BLACK+DECKER remains one of the world's great consumer brands. The 2014 brand refresh includes bolder, cleaner graphics, more consistent and more relevant messaging and new standards for licensed product innovation and industrial design. The new brand also integrates eco-friendly attributes, reaffirming our commitment to sustainability and resonating with socially responsible consumers.

We will continue to support all three brands with increasingly global advertising and sales promotion resources, including expanding our sponsorships in motorsports, European football, Chinese basketball, and

BORN IN THE USA.
BUILT IN THE USA.



Our company was founded in the USA over 170 years ago. While we have grown into a global diversified industrial solutions company, we understand that American customers like buying American products, and we are proud to meet that demand. With our new plant in North Carolina, we have expanded the number of tools we build in the USA using materials and components from all over the world.

Major League Baseball. New for 2014 was our sponsorship of the Barcelona Football Club and a change in our NASCAR partner to Joe Gibbs Racing.

COMPANY-WIDE STRATEGIC INITIATIVES

We are embarking on a transformation to drive from a more programmatic growth mentality to a true organic growth culture by more deeply embedding breakthrough innovation and commercial excellence into our businesses and, at the same time, becoming a significantly more digitally enabled enterprise. A new breed of digital technologies is changing the competitive landscape at unprecedented rates, creating both threats and opportunities, and it is clear that organizations that stand still will be left behind.

To that end, we have spent considerable time and effort developing the next iteration of our successful Stanley Fulfillment System (SFS) program, which has driven working capital turns to world-class levels and vastly improved our supply chain and customer facing metrics. Entitled “SFS 2.0,” this refreshed and revitalized business system will continue the progress on core SFS, but importantly, provide resources and added focus into (1) commercial excellence, (2) breakthrough innovation, (3) digital excellence and (4) functional transformation. We are making a significant commitment to SFS 2.0, which will help drive further improvement to our revenue, earnings and cash flow growth. We believe that success in SFS 2.0 will be characterized by dependable organic growth in the 4–6% range, as well as significantly expanded operating margin rates over the next 3 to 5 years as we leverage the growth and reduce structural SG&A levels.

ORGANIC REVENUE GROWTH IN 2014

+5%

STANLEY FULFILLMENT SYSTEM (SFS)

VISION

4–6%
Organic Growth

>15%
Operating Margin

12–15%
Cash Flow Return on Investment

10
Working Capital Turns

>20%
Revenue from Emerging Markets

JOHN F. LUNDGREN
Chairman &
Chief Executive Officer

JAMES M. LOREE
President &
Chief Operating Officer

LONG-TERM FINANCIAL OBJECTIVES/CAPITAL ALLOCATION

Our long-term objective is to supplement this 4–6% organic performance with acquisitions yielding approximately 10% total revenue growth while producing a double-digit earnings per share CAGR and a CFROI between 12%–15%. This formula, coupled with a capital allocation approach focused on sizable returns of capital to investors, has resulted in favorable relative and absolute long-term shareholder returns and, we believe, will continue to do so in the future.

Specifically, our capital allocation approach is to maintain a strong investment grade credit rating, while allocating excess capital in approximately equal proportions to returning it to shareholders (dividends and repurchases) and M&A. Our near-term capital allocation priority is to complete our previously communicated $1 billion share repurchase program.

Our expectation is to resume M&A activity in the latter part of 2015 or in 2016, depending on the availability of attractive targets at reasonable prices. During the recent acquisition pause, we have kept our business development organizations intact and we are beginning to warm up the pipeline again. Any M&A opportunities will be evaluated in relation to potential share repurchases and the impact on CFROI. Currently, top M&A priorities include: 1) tool industry consolidation, 2) Engineered Fastening bolt-ons and 3) expanding our industrial platform. M&A activity in Security is expected to be minimal until the core business turnaround is in the late stages.

SUMMARY

2014 was a year of forward progress for the Company and we find ourselves operating in an external environment that is more dynamic than ever. Forces of rapid and often sudden change are emanating from many directions, including geopolitics, digital and other technologies, emerging and potentially disruptive competitors, currency revaluations and economics in general.

These times call for agile leadership and organizations but they also require stability and strength. With a solid, high performing enterprise we are operating from a position of strength and competitive advantage. We believe that we have created a culture and defined the strategic programs that can achieve this delicate balance between agility and stability — the right posture to keep this over 170-year-old enterprise strong and vital as we move forward.

John F. Lundgren
Chairman & Chief Executive Officer

James M. Loree
President & Chief Operating Officer