Letter to Shareholders

2011 was a notable year for our Company. It was a year during which we drove change, growth and value in virtually every business and region where we compete, despite very little help from our external markets, particularly those which are construction-related. It was also a year in which revenues reached $10 billion and free cash flow (FCF) exceeded $1 billion* for the first time in our history.

Total revenues were up 12.0%, on a pro forma basis, to $10.4 billion. Earnings per share (EPS) grew 26% to $5.24* and our dividend was increased 20%. Working capital turns increased 18% to 6.7, as the tenets of the Stanley Fulfillment System were further embedded into the global enterprise.

2011 was also important because we began to see tangible evidence of the successful crystallization of the benefits of merging Stanley and Black & Decker, two iconic companies in their own right, which together comprise something very compelling to our customers, investors and employees. Some might be surprised to learn that Stanley Black & Decker is a growth company with a forward-looking approach and a track record to be proud of. Since 2003, revenues and EPS have grown at a 20% and 13%* compound annual growth rate (CAGR), respectively. We are stewards of capital and focus acutely on aggressively generating cash, reinvesting it wisely and returning substantial amounts to our shareholders every year. Perhaps that is one reason why we have considerably outperformed the S&P500's total return on each of a three-, a five- and a ten-year basis. These metrics are very important to us because we are not satisfied with simply performing at benchmark. Outperformance is what we strive for day in and day out and, thus far, we have delivered.

As we look forward in the short term, we believe that our Company is well-positioned to enjoy the benefits of a potentially more favorable construction cycle and overall economic conditions in the U.S. but also poised to deliver if these benefits don't materialize and if Europe's economic woes worsen to some extent.

For the long term, we expect to continue to deliver above-average revenue, EPS and cash flow growth while continuing an investor-friendly orientation to our capital allocation. We would like to take this opportunity to reiterate the mid-decade goals we communicated a year ago at our analyst meeting:

- $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

We remain confident we are on track to meet, if not exceed, these goals and that, in doing so, we will continue to create outstanding and dependable shareholder value.

Our stated strategy of continuous evolution as a diversified industrial company remains in place, even as we look to enjoy the benefits of an improving construction cycle as

* Excluding merger and acquisition-related charges and payments.

Pro forma amounts assume that the merger with Black & Decker occurred at the beginning of 2010.

Where do we go from here? The playbook remains the same. We've had this strategic framework in place since 2004. It focuses on continuing our diversification into higher growth, higher margin businesses, increasing the relative weighting of emerging markets and driving shareholder value.

it ramps up. We remain focused on a balanced capital allocation plan over the long term, in which roughly two-thirds of our free cash flow will be deployed to promote organic growth across all businesses and to complete acquisitions within our four growth platforms. 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.

The remaining one-third of free cash flow is returned to shareholders in the form of dividends and share repurchases. Inherent in this is our focus on maintaining a strong investment grade credit rating. 2011 was an exemplary year to illustrate this, as we increased our dividend 20%, implemented a $350 million share repurchase, lowered our debt to EBITDA ratio to 2.2x from 2.8x, and purchased a leading European commercial electronic security and monitoring company, Niscayah.

Stanley Black & Decker: The Next Chapter

Almost two years into the integration of Black & Decker we continue to be pleased with success that has surpassed even our own high expectations. When we announced the transaction in November of 2009 we laid out the following three-year targets: $350 million in cost synergies, $1.5 billion in EBITDA, $1 billion in FCF and $5.00 in EPS.

As we close out 2011 — and the first twenty-two months as a combined enterprise — we have already achieved approximately $350 million in cost synergies and raised our estimate to $450 million by the end of 2012. During our first full year of management, the FCF target has been achieved and the EPS and EBITDA targets have been exceeded.

In January of 2011, we announced the expected revenue benefit from the combination to total between $300 and $400 million by the end of 2013, in addition to our normal organic growth initiatives. This incremental revenue is expected to drive $0.35 – $0.50 of EPS accretion over the same time period, and while the focus of 2011 was on the initial investment in these programs, the results met our expectations handily. These synergies result from a myriad of opportunities around the globe arising from the merger, including, but not limited to, brand expansion and leveraging complementary geographic and channel strengths. One notable example was the over 50% growth of the legacy Stanley hand tool business in Latin America due to the post-merger access to legacy Black & Decker's well-established distribution channels, and the ongoing expansion of the BDK manufacturing plant in Uberaba, Brazil to enable in-region hand tool manufacturing, a key cultural factor to successful growth.

The success of the integration has not just been evident through our financial performance versus our stated goals, but also through the opinions of our employees. In 2011, we conducted a global employee opinion survey in which our approximately 40,000 associates were able to anonymously submit their views on 60 questions. The feedback

REVENUE GROWTH IN 2011

+12%

Total Revenue Growth (Pro Forma)

+4%

Organic Revenue Growth (Pro Forma)

Niscayah acquisition continues diversification strategy

Niscayah's integrated security solutions include video surveillance, access control, intrusion alarms and fire alarm systems, and its offerings include design and installation services, maintenance and repair, and monitoring systems. The acquisition expands and complements Stanley Black & Decker's existing security product and service offerings, and further diversifies the Company's operations and international presence.

was encouraging, as close to 90% of the questions surveyed were considered favorable or highly favorable, and the responses from each legacy company were virtually identical. This feedback was particularly encouraging because the soft issues of merging two cultures can often undermine the success of a major acquisition. We are pleased to report that, if anything, the cultural integration has been a major positive for this transaction.

Niscayah

When we announced the combination with Black & Decker, many of you asked how it made sense in light of our long-standing strategy to diversify away from the U.S. building products sector and expand upon our attractive growth platforms, in our journey to become a global diversified industrial company. Our response was that the old playbook remained the same and that the compelling strategic and economic rationale behind the merger would create a stronger, more valuable franchise, and the powerful free cash flow of the combined Stanley Black & Decker would enable us to achieve our goals of diversification at a faster pace than as a standalone company. Our acquisition of Niscayah is a case in point.

Niscayah, our largest acquisition within our Security segment to date, which closed in September 2011, is a leading European commercial electronic security and monitoring company we had pursued for over five years, because of its strategic fit. Niscayah's integrated security solutions include video surveillance, access control, intrusion alarms and fire alarm systems, and its offerings include design and installation services, maintenance and repair, and monitoring systems. The acquisition expands and complements Stanley Black & Decker's existing security product offerings, and further diversifies the Company's operations and international presence. The addition of Niscayah brings total pro forma Convergent Security Solutions annual revenues to approximately $1.8 billion and the pro forma Security segment to $3.3 billion, roughly 30% of the entire Company.

We expect the transaction to result in annual cost savings of approximately $80 million—$45 million of which is expected to be realized by the end of 2012. The acquisition is also expected to be immediately accretive to Stanley Black & Decker's EPS, with accretion of $0.20 in 2012 and $0.45 by 2014. Importantly, the acquisition was funded with existing offshore cash resources, with no additional debt or equity issuances, which means that $1.2 billion of nonproductive cash was put to work.

Since 2004, when our journey to broader diversification began, we have made more than 60 acquisitions and cultivated a potent, proven and effective integration process along the way that we deploy no matter what the size or nature of the business being acquired. We believe our ability to integrate companies successfully is a key component to driving shareholder value and a competitive advantage of Stanley Black & Decker. This being said, having the management and personnel bandwidth to

Financial Highlights**

(MILLIONS OF DOLLARS, EXCEPT PER-SHARE AMOUNTS)

	2011(1)	2010(1)	2009	2008	2007
SWK					
Revenue	$10,376.4	$ 8,343.9	$ 3,682.6	$ 4,354.1	$ 4,291.3
Gross Margin	$ 3,830.3	$ 3,130.2	$ 1,492.4	$ 1,647.6	$ 1,631.7
Gross Margin %	36.9%	37.5%	40.5%	37.8%	38.0%
Working Capital Turns	6.7	5.7	7.9	5.9	5.3
Free Cash Flow*	$ 1,004	$ 936	$ 443	$ 422	$ 457
Diluted EPS from Continuing Operations	$ 5.24	$ 4.15	$ 2.81	$ 2.67	$ 3.76
CDIY					
Revenue	$ 5,236.5	$ 4,368.2	$ 1,258.1	$ 1,608.4	$ 1,715.2
Segment Profit	$ 701.4	$ 585.2	$ 141.0	$ 174.2	$ 254.2
Segment Profit %	13.4%	13.4%	11.2%	10.8%	14.8%
Working Capital Turns	8.5	8.4	7.7	5.6	5.0
Security					
Revenue	$ 2,638.5	$ 2,084.0	$ 1,543.3	$ 1,478.6	$ 1,381.7
Segment Profit	$ 430.6	$ 351.7	$ 305.0	$ 267.1	$ 237.2
Segment Profit %	16.3%	16.9%	19.8%	18.1%	17.2%
Working Capital Turns	5.4	5.6	7.3	7.0	5.6
Industrial					
Revenue	$ 2,501.4	$ 1,891.7	$ 881.2	$ 1,267.1	$ 1,194.4
Segment Profit	$ 415.7	$ 285.6	$ 101.1	$ 174.2	$ 179.3
Segment Profit %	16.6%	15.1%	11.5%	13.7%	15.0%
Working Capital Turns	5.5	4.7	5.2	4.8	4.2

(1) Excludes merger and acquisition-related charges/payments.
* Refer to the inside back cover.
** The results from 2007–2010 were recast for certain discontinued operations for comparability.

successfully focus on the crucial rhythms and rigors of an integration is of utmost importance to us, and we have walked away and will continue to walk away from acquisitive growth opportunities if we feel the timing conflicts with the successful navigation and development of our core business franchise.

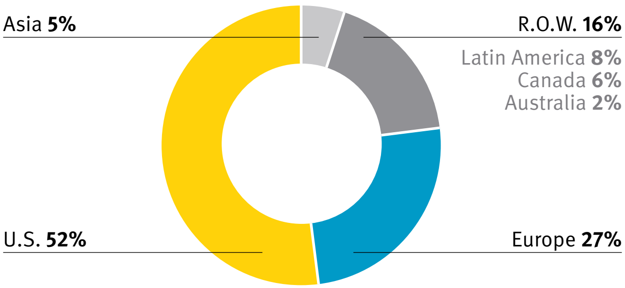
Organic Growth: Innovative New Products and Emerging Markets

Inherent in our legacy and crucial to our future is our ability to bring innovative, world-class products and services to our customers. Our success in this was key to the organic growth we drove throughout the year, particularly in certain markets that were flat or retracting. For example, our professional power tool and accessories business grew 13%, due to the successful launch of the DEWALT 18- and 20-volt MAX* cordless lithium ion product line and the late-2010 launch of the 12-volt cordless lithium ion products. Within our industrial segment, our $900 million engineered fastening business, which largely operates under the Emhart brand, grew 13%, compared to the 3% growth of global light vehicle automotive production, due to new products and increased customer platform penetration, which resulted in strong market share gains.

As we wrote last year, significant emphasis has been, and will continue to be placed on growth in the emerging markets, both organically and through acquisition. In 2011

THE STANLEY FULFILLMENT SYSTEM

GLOBAL PRESENCE



MID-DECADE GOALS

$15B
In Revenue

15%
Return on Capital Employed

›15%
Operating Margin

10
Working Capital Turns

›20%
Revenue in Emerging Markets

alone, we increased our revenues in emerging markets from 11% of the total Company to 14%, well on our way to our mid-decade goal of more than 20%. Also important to note is that our profitability in a majority of these regions is higher than corporate line average, aiding us towards our mid-decade goal of operating margins higher than 15%.

Global organic growth is of utmost important to us and this year we have focused on building teams in many regions where we historically have had an underwhelming presence.

Stanley Fulfillment System

A key ingredient in the success of our ability to service our customers, integrate acquisitions, increase efficiencies and grow our free cash flow base continues to be the Stanley Fulfillment System, or SFS. In 2011, we increased total Company working capital turns 18%, from 5.7 to 6.7, and up 23% to 7.0 turns, excluding the impact of Niscayah. While these results are still distant from the 8.6 turns that legacy Stanley reached prior to the merger in 2010, we are confident that the tenets and processes of SFS that took our working capital turns from the mid-4s to this level in three years will be just as successful for our combined enterprise. We continue to believe SFS represents one of the biggest opportunities to create additional value from the Stanley Black & Decker merger, with the potential to unlock over half a billion dollars when we are able to return to 8 turns, let alone our mid-decade goal of 10.

Summary

As we said four years ago in our Letter to Shareholders, during the depths of the global economic crisis, this is a world in which strong, reality-based companies that are well-prepared emerge as winners and reward their investors — a world that places a premium on management teams that operate with agility, courage and common sense. Our senior management team is both seasoned and energetic, with our officers having been in key leadership positions with Stanley Black & Decker for an average of 13 years. Needless to say, this is the same team that took the Company through the 2008–2009 downturn, where we illustrated agility and proactively took the necessary steps to navigate through both the foreseen and unexpected headwinds we faced.

2012 will undoubtedly come with its own set of challenges, but we are armed with our proven strategic roadmap for growth, our financial discipline and strength, and most importantly, our team of close to 45,000 associates around the globe, with a daily focus on outperformance — all of which will enable us to continue to drive meaningful value for our shareholders.

John F. Lundgren
President & Chief Executive Officer

James M. Loree
Executive Vice President & Chief Operating Officer

February 23, 2012
New Britain, CT