STANLEY BLACK & DECKER, INC.
Form 10-K
February 21, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
ANNUAL REPORT
PURSUANT TO SECTIONS 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

þ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 28, 2013
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 1-5224
STANLEY BLACK & DECKER, INC.
(Exact Name Of Registrant As Specified In Its Charter)

Connecticut	06-0548860
(State Or Other Jurisdiction Of Incorporation Or Organization)	(I.R.S. Employer Identification Number)
1000 Stanley Drive New Britain, Connecticut	06053
(Address Of Principal Executive Offices)	(Zip Code)

860-225-5111
(Registrant’s Telephone Number)
Securities Registered Pursuant To Section 12(b) Of The Act:

Title Of Each Class	Name Of Each Exchange On Which Registered
Common Stock-$2.50 Par Value per Share	New York Stock Exchange

Securities Registered Pursuant To Section 12(g) Of The Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act of 1933.
Yes þ No ¨

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.
Yes ¨ No þ

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 and (2) has been subject to such filing requirements for the past 90 days.
Yes þ 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 þ No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant’s knowledge, in definitive proxy or information statements

incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.
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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. (Check one):

Large accelerated filer þ	Accelerated filer ¨
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company ¨

Indicate by check mark whether the registrant is a shell company (as defined in Exchange Act Rule 12b-2).
Yes ¨ No þ

As of June 28, 2013, the aggregate market values of voting common equity held by non-affiliates of the registrant was $12.4 billion based on the New York Stock Exchange closing price for such shares on that date. On January 24, 2014, the registrant had 155,604,921 shares of common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement to be filed pursuant to Regulation 14A within 120 days after the end of the registrant's fiscal year are incorporated by reference in Part III of the Annual Report on Form 10-K.

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PART I
ITEM 1. BUSINESS
General
Stanley Black & Decker, Inc. ("the Company") was founded in 1843 by Fredrick T. Stanley and incorporated in Connecticut in 1852. In March 2010, the Company completed a merger ("the Merger") with The Black & Decker Corporation (“Black & Decker”), a company founded by S. Duncan Black and Alonzo G. Decker and incorporated in Maryland in 1910. At that time, the Company changed its name from The Stanley Works ("Stanley") to Stanley Black & Decker, Inc. The Company is a diversified global provider of power and hand tools, products and services for various industrial applications, mechanical access solutions (i.e. automatic doors and commercial locking systems), and electronic security and monitoring systems with 2013 consolidated annual revenues of $11.0 billion. The Company is continuing to pursue a diversification strategy that involves industry, geographic and customer diversification to foster sustainable revenue, earnings and cash flow growth. The Company has three primary acquisition growth platforms: Security, Engineered Fastening, and Infrastructure. The Company has made investments in its organic growth initiatives in order to drive growth across all of its businesses, and anticipates the majority of acquisition-related investments being within the three growth platforms previously mentioned. During 2013, the Company elected to place a moratorium on acquisitions to focus on its near-term priorities of operational improvement, deleveraging through improved credit metrics and returning capital to shareholders. Furthermore, two aspects of the Company's vision are to be a consolidator within the tool industry and to increase its presence in emerging markets, with a goal of ultimately generating greater than 20% of annual revenues from these markets. In 2013, approximately 47% of the Company’s annual revenues were generated in the United States, with the remainder largely from Europe (26%), emerging markets (17%) and Canada (5%).
Execution of this diversification strategy has resulted in approximately $6.2 billion of acquisitions since 2002 (excluding the Black & Decker merger) and increased brand investment, enabled by cash flow generation and increased debt capacity. The acquisition of Infastech for $826.4 million in February 2013, a 60% controlling share in Jiangsu Guoqiang Tools Co., Ltd. ("GQ") for a total purchase price of $48.5 million in May 2013, and the 2011 acquisition of Niscayah Group AB (“Niscayah”) for a total purchase price of $984.5 million exemplify this strategy. Infastech is a global manufacturer and distributor of specialty engineered fastening technology based in Hong Kong. The acquisition of Infastech adds to the Company's strong positioning in specialty engineered fastening, an industry with solid growth prospects particularly in the global electronics, industrial and automotive end markets, and will further expand the Company's global footprint with its strong concentration in fast-growing emerging markets. GQ is the #3 MPP power tool manufacturer in the emerging markets and complements the Company's existing power tools product offerings in the CDIY segment. Niscayah is one of the largest access control and surveillance solutions providers in Europe. The Niscayah acquisition expanded and complemented the Company's existing electronic security offerings and further diversifies the Company's operations and international presence. In addition to these acquisitions, in December 2012, the Company sold its Hardware & Home Improvement business ("HHI"), including the residential portion of Tong Lung, to Spectrum Brands Holdings, Inc. ("Spectrum") for approximately $1.4 billion in cash. The purchase and sale agreement stipulated that the sale occur in a First and Second Closing. The First Closing, which excluded the residential portion of the Tong Lung business, occurred on December 17, 2012 while the Second Closing, in which the residential portion of the Tong Lung business was sold, occurred on April 8, 2013. The operating results of HHI, as well as the residential portion of Tong Lung, have been reported as discontinued operations in the Consolidated Financial Statements. Refer to Note E, Acquisitions, and Note T, Discontinued Operations, of the Notes to Consolidated Financial Statements in Item 8 for further discussion.
At December 28, 2013, the Company employed approximately 50,700 people worldwide. The Company’s principal executive office is located at 1000 Stanley Drive, New Britain, Connecticut 06053 and its telephone number is (860) 225-5111.
Description of the Business
The Company’s operations are classified into three reportable business segments, which also represent its operating segments: Construction & Do-It-Yourself (“CDIY”), Industrial and Security. All segments have significant international

operations in developed countries, but do not have large investments that would be subject to expropriation risk in developing countries. Fluctuations in foreign currency exchange rates result in translational and transactional impacts to international operations in each segment.

Additional information regarding the Company’s business segments and geographic areas is incorporated herein by reference to the material captioned “Business Segment Results” in Item 7 and Note P, Business Segments and Geographic Areas, of the Notes to Consolidated Financial Statements in Item 8.

CDIY

The CDIY segment is comprised of the Professional Power Tool business, the Consumer Products Group, which includes outdoor products, the Hand Tools & Storage business, and the Fastening & Accessories business. The segment sells its products to professional end users, distributors and retail consumers. The majority of sales are distributed through retailers, including home centers, mass merchants, hardware stores, and retail lumber yards. Annual revenues in the CDIY segment were $5.5 billion in 2013, representing 50% of the Company’s total revenues.

The Professional Power Tool business sells professional grade corded and cordless electric power tools and equipment including drills, impact wrenches and drivers, grinders, saws, routers and sanders.

The Consumer Products Group sells corded and cordless electric power tools sold primarily under the Black & Decker brand, lawn and garden products and home products. Lawn and garden products include hedge trimmers, string trimmers, lawn mowers, edgers, and related accessories. Home products include hand held vacuums, paint tools and cleaning appliances.

The Hand Tools & Storage business sells measuring, leveling and layout tools, planes, hammers, demolition tools, knives, saws and chisels. Storage products include tool boxes, sawhorses and storage units.

The Fastening and Accessories business sells pneumatic tools and fasteners including nail guns, nails, staplers and staples, concrete and masonry anchors, as well as power tool accessories which include drill bits, router bits, abrasives and saw blades.

Industrial

The Industrial segment is comprised of the Industrial and Automotive Repair ("IAR"), Engineered Fastening and Infrastructure businesses. Annual revenues in the Industrial segment were $3.1 billion in 2013, representing 28% of the Company’s total revenues.

The IAR business sells professional hand tools, power tools and engineered storage solution products. The business sells to industrial customers in a wide variety of industries and geographies. The products are distributed through third party distributors as well as a direct sales force.

The Engineered Fastening business primarily sells engineered fastening products and systems designed for specific applications. The product lines include stud welding systems, blind rivets and tools, blind inserts and tools, drawn arc weld studs, engineered plastic and mechanical fasteners, self-piercing riveting systems and precision nut running systems, micro fasteners, and high-strength structural fasteners. The business sells to customers in the automotive, manufacturing, electronics, and aerospace industries, amongst others, and its products are distributed through direct sales forces and, to a lesser extent, third party distributors.

The Infrastructure business consists of the Oil & Gas (formerly CRC-Evans) and Hydraulics businesses. The product lines within the Infrastructure business include custom pipe handling machinery, joint welding and coating machinery, weld inspection services and hydraulic tools and accessories. The business sells to the oil and natural gas pipeline industry and other industrial customers. The products and services are primarily distributed through a direct sales force and, to a lesser extent, third party distributors.

Security

The Security segment is comprised of the Convergent Security Solutions ("CSS") and Mechanical Access Solutions ("MAS") businesses. Annual revenues in the Security segment were $2.4 billion in 2013, representing 22% of the Company’s total revenues.

The CSS business designs, supplies and installs electronic security systems and provides electronic security services, including alarm monitoring, video surveillance, fire alarm monitoring, systems integration and system maintenance. Purchasers of these systems typically contract for ongoing security systems monitoring and maintenance at the time of initial equipment installation. The business also sells healthcare solutions, which includes medical cabinets, asset tracking solutions, infant protection, pediatric protection, patient protection, wander management, fall management, and emergency call products. The CSS business sells to consumers, retailers, educational, financial and healthcare institutions, as well as commercial, governmental and industrial customers. Products are sold predominantly on a direct sales basis.

The MAS business sells and installs automatic doors, commercial hardware, locking mechanisms, electronic keyless entry systems, keying systems, tubular and mortise door locksets. MAS sells to commercial customers primarily through direct and independent distribution channels.

Operating Segments – Other Information

Competition

The Company competes on the basis of its reputation for product quality, its well-known brands, its commitment to customer service, strong customer relationships, the breadth of its product lines and its innovative products and customer value propositions.

The Company encounters active competition in the CDIY and Industrial segments from both larger and smaller companies that offer the same or similar products and services. Certain large customers offer private label brands ("house brands") that compete across a wider spectrum of the Company's CDIY segment product offerings. Competition in the Security segment is generally fragmented via both large international players and regional companies. Competition tends to be based primarily on price, the quality of service and comprehensiveness of the services offered to the customers.

Major Customers

A significant portion of the Company's CDIY products are sold to home centers and mass merchants in the U.S. and Europe. A consolidation of retailers both in North America and abroad has occurred over time. While this consolidation and the domestic and international expansion of these large retailers has provided the Company with opportunities for growth, the increasing size and importance of individual customers creates a certain degree of exposure to potential sales volume loss. As a result of the Company's diversification strategy, sales to U.S. home centers and mass merchants declined from a high of approximately 40% in 2002, to 15% before the Black & Decker merger. In 2013, sales to U.S. home centers and mass merchants were 18%. As acquisitions in the various growth platforms (Security, Engineered Fastening and Infrastructure) are made in future years, the proportion of sales to these valued U.S. and international home center and mass merchant customers is expected to continue to decrease to levels existing prior to the Black & Decker merger.

Working Capital

The Company continues to practice the operating disciplines encompassed by the Stanley Fulfillment System ("SFS"). SFS has five primary elements that work in concert: sales and operations planning, operational lean, complexity reduction, global supply management, and order-to-cash excellence. The Company develops standardized business processes and system platforms to reduce costs and provide scalability. SFS is instrumental in the reduction of working capital evidenced by the 36% improvement in working capital turns for the Company from 5.9 at the end of 2010 (excluding HHI) to 8.0 at the end of 2013. The continued efforts to deploy SFS across the entire Company and increase turns have created significant opportunities to generate incremental free cash flow. Going forward, the Company plans to further leverage SFS to generate ongoing improvements both in the existing business and future acquisitions in working capital turns, cycle times, complexity reduction and customer service levels, with a goal of ultimately achieving 10 working capital turns.

Raw Materials

The Company's products are manufactured using both ferrous and non-ferrous metals including, but not limited to steel, zinc, copper, brass, aluminum and nickel. The Company also purchases resins as well as components such as batteries, motors, and electronic components to use in manufacturing and assembly operations. The raw materials required are procured globally and available from multiple sources at competitive prices. As part of the Company's Enterprise Risk Management, the Company has implemented a supplier risk mitigation strategy in order to identify and address any potential supply disruption associated with commodities, components, finished goods and critical services. The Company does not anticipate difficulties in obtaining supplies for any raw materials or energy used in its production processes.

Backlog

Due to short order cycles and rapid inventory turnover in most of the Company's CDIY and Industrial segment businesses, backlog is generally not considered a significant indicator of future performance. At February 1, 2014, the Company had approximately $948 million in unfilled orders, which mainly relate to the Company's Security segment. Substantially all of these orders are reasonably expected to be filled within the current fiscal year. As of February 2, 2013 and February 4, 2012, unfilled orders amounted to $850 million and $770 million, respectively.

Patents and Trademarks

No business segment is dependent, to any significant degree, on patents, licenses, franchises or concessions, and the loss of these patents, licenses, franchises or concessions would not have a material adverse effect on any of the business segments. The Company owns numerous patents, none of which individually is material to the Company's operations as a whole. These patents expire at various times over the next 20 years. The Company holds licenses, franchises and concessions, none of which individually or in the aggregate are material to the Company's operations as a whole. These licenses, franchises and concessions vary in duration, but generally run from one to 40 years.

The Company has numerous trademarks that are used in its businesses worldwide. In the CDIY segment, significant trademarks include STANLEY®, BLACK+DECKER®, DEWALT®, Porter-Cable®, Bostitch®, FatMax®, Powers®, Oldham®, Guaranteed Tough® and the yellow/black color scheme for power tools and accessories. Significant trademarks in the Industrial segment include STANLEY®, DEWALT®, CRC®, LaBounty®, Dubuis®, MAC®, MAC Tools®, Proto®, Vidmar®, Facom®, AeroScout®, Cribmaster®, Expert®, USAG™, SIDCHROME™, Lista®, POP®, Warren®, GRIPCO®, Avdel®, HeliCoil®, MasterFix®, Tucker®, NPR®, Dodge®, and Spiralock®. The Security segment includes significant trademarks such as STANLEY®, BEST®, Blick™, HSM®, Sargent & Greenleaf®, S&G®, SONITROL®, Niscayah®, Stanley Access Technologies™, AeroScout®, InnerSpace®, Hugs®, WanderGuard®, Roam Alert®, MyCall®, Arial® and Bed-Check®. The terms of these trademarks typically vary from 10 to 20 years, with most trademarks being renewable indefinitely for like terms.

Environmental Regulations

The Company is subject to various environmental laws and regulations in the U.S. and foreign countries where it has operations. Future laws and regulations are expected to be increasingly stringent and will likely increase the Company’s expenditures related to environmental matters.

In the normal course of business, the Company is involved in various legal proceedings relating to environmental issues. The Company’s policy is to accrue environmental investigatory and remediation costs for identified sites when it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. In the event that no amount in the range of probable loss is considered most likely, the minimum loss in the range is accrued. The amount of liability recorded is based on an evaluation of currently available facts with respect to each individual site and includes such factors as existing technology, presently enacted laws and regulations, and prior experience in remediation of contaminated sites. The liabilities recorded do not take into account any claims for recoveries from insurance or third parties. As assessments and remediation progress at individual sites, the amounts recorded are reviewed periodically and adjusted to reflect additional technical and legal information that becomes available. As of December 28, 2013 and December 29, 2012, the Company had reserves of $184 million and $188 million, respectively, for remediation activities associated with Company-owned properties, as well as for Superfund sites, for losses that are probable and estimable. Of the 2013 amount, $13 million is classified as current and $171 million as long-term, which is expected to be paid over the estimated remediation period. As of December 28, 2013, the Company has recorded $23 million in other assets related to funding by the Environmental Protection Agency ("EPA") and monies received have been placed in trust in accordance with the Consent Decree associated with the West Coast Loading Corporation ("WCLC") proceedings, as further discussed in Note S, Contingencies, of the Notes to Consolidated Financial Statements in Item 8. Accordingly, the Company's cash obligation as of December 28, 2013 associated with the aforementioned remediation activities is $161 million. The range of environmental remediation costs that is reasonably possible is $138 million to $274 million, which is subject to change in the near term. The Company may be liable for environmental remediation of sites it no longer owns. Liabilities have been recorded on those sites in accordance with policy.

The amount recorded for identified contingent liabilities is based on estimates. Amounts recorded are reviewed periodically and adjusted to reflect additional technical and legal information that becomes available. Actual costs to be incurred in future periods may vary from the estimates, given the inherent uncertainties in evaluating certain exposures. Subject to the imprecision in estimating future contingent liability costs, the Company does not expect that any sum it may have to pay in connection with these matters in excess of the amounts recorded will have a materially adverse effect on its financial position, results of operations or liquidity. Additional information regarding environmental matters is available in Note S, Contingencies, of the Notes to Consolidated Financial Statements in Item 8.

Employees

At December 28, 2013, the Company had approximately 50,700 employees, 13,027 of whom are employed in the U.S. Approximately 850 U.S. employees are covered by collective bargaining agreements negotiated with 21 different local labor unions who are, in turn, affiliated with approximately 6 different international labor unions. The majority of the Company’s hourly-paid and weekly-paid employees outside the U.S. are not covered by collective bargaining agreements. The Company’s labor agreements in the U.S. expire in 2014. There have been no significant interruptions of the Company’s operations in recent years due to labor disputes. The Company believes that its relationship with its employees is good.

Research and Development Costs

Research and development costs, which are classified in SG&A, were $170.7 million, $151.4 million and $139.3 million for fiscal years 2013, 2012 and 2011, respectively.

Available Information

The Company’s website is located at http://www.stanleyblackanddecker.com. This URL is intended to be an inactive textual reference only. It is not intended to be an active hyperlink to the Company's website. The information on the Company's website is not, and is not intended to be, part of this Form 10-K and is not incorporated into this report by reference. The Company makes its Forms 10-K, 10-Q, 8-K and amendments to each available free of charge on its website as soon as reasonably practicable after filing them with, or furnishing them to, the U.S. Securities and Exchange Commission.

ITEM 1A. RISK FACTORS

The Company’s business, operations and financial condition are subject to various risks and uncertainties. You should carefully consider the risks and uncertainties described below, together with all of the other information in this Annual Report on Form 10-K, including those risks set forth under the heading entitled "Cautionary Statements Under the Private Securities Litigation Reform Act of 1995", and in other documents that the Company files with the U.S. Securities and Exchange Commission, before making any investment decision with respect to its securities. If any of the risks or uncertainties actually occur or develop, the Company’s business, financial condition, results of operations and future growth prospects could change. Under these circumstances, the trading prices of the Company’s securities could decline, and you could lose all or part of your investment in the Company’s securities.

Changes in customer preferences, the inability to maintain mutually beneficial relationships with large customers, inventory reductions by customers, and the inability to penetrate new channels of distribution could adversely affect the Company’s business.

The Company has certain significant customers, particularly home centers and major retailers, although no one customer represented more than 10% of consolidated net sales in 2013. However, the two largest customers comprised nearly 15% of net sales, with U.S. and international mass merchants and home centers collectively comprising approximately 24% of net sales. The loss or material reduction of business, the lack of success of sales initiatives, or changes in customer preferences or loyalties, for the Company’s products related to any such significant customer could have a material adverse impact on the Company’s results of operations and cash flows. In addition, the Company’s major customers are volume purchasers, a few of which are much larger than the Company and have strong bargaining power with suppliers. This limits the ability to recover cost increases through higher selling prices. Furthermore, unanticipated inventory adjustments by these customers can have a negative impact on sales.

If customers in the Convergent Security Solutions ("CSS") business are dissatisfied with services and switch to competitive services, or disconnect for other reasons, the Company's attrition rates may increase. In periods of increasing attrition rates, recurring revenue and results of operations may be materially adversely affected. The risk is more pronounced in times of economic uncertainty, as customers may reduce amounts spent on the products and services the Company provides.

In times of tough economic condition, the Company has experienced significant distributor inventory corrections reflecting de-stocking of the supply chain associated with difficult credit markets. Such distributor de-stocking exacerbated sales volume declines pertaining to weak end user demand and the broader economic recession. The Company’s results may be adversely impacted in future periods by such customer inventory adjustments. Further, the inability to continue to penetrate new channels of distribution may have a negative impact on the Company’s future results.

The Company faces active global competition and if it does not compete effectively, its business may suffer.

The Company faces active competition and resulting pricing pressures. The Company’s products compete on the basis of, among other things, its reputation for product quality, its well-known brands, price, innovation and customer service capabilities. The Company competes with both larger and smaller companies that offer the same or similar products and services or that produce different products appropriate for the same uses. These companies are often located in countries such as China, Taiwan and India where labor and other production costs are substantially lower than in the U.S., Canada and Western Europe. Also, certain large customers offer house brands that compete with some of the Company’s product offerings as a lower-cost alternative. To remain profitable and defend market share, the Company must maintain a competitive cost structure, develop new products and services, lead product innovation, respond to competitor innovations and enhance its existing products in a timely manner. The Company may not be able to compete effectively on all of these fronts and with all of its competitors, and the failure to do so could have a material adverse effect on its sales and profit margins.

SFS is a continuous operational improvement process applied to many aspects of the Company’s business such as procurement, quality in manufacturing, maximizing customer fill rates, integrating acquisitions and other key business processes. In the event the Company is not successful in effectively applying the SFS disciplines to its key business processes, including those of acquired businesses, its ability to compete and future earnings could be adversely affected.

In addition, the Company may have to reduce prices on its products and services, or make other concessions, to stay competitive and retain market share. Price reductions taken by the Company in response to customer and competitive pressures, as well as price reductions and promotional actions taken to drive demand that may not result in anticipated sales levels, could also negatively impact its business. The Company engages in restructuring actions, sometimes entailing shifts of production to low-cost countries, as part of its efforts to maintain a competitive cost structure. If the Company does not execute restructuring actions well, its ability to meet customer demand may decline, or earnings may otherwise be adversely impacted; similarly if such efforts to reform the cost structure are delayed relative to competitors or other market factors the Company may lose market share and profits.

Customer consolidation could have a material adverse effect on the Company’s business.

A significant portion of the Company’s products are sold through home centers and mass merchant distribution channels in the U.S. and Europe. A consolidation of retailers in both North America and abroad has occurred over time and the increasing size and importance of individual customers creates risk of exposure to potential volume loss. The loss of certain larger home centers as customers would have a material adverse effect on the Company’s business until either such customers were replaced or the Company made the necessary adjustments to compensate for the loss of business.

Low demand for new products and the inability to develop and introduce new products at favorable margins could adversely impact the Company’s performance and prospects for future growth.

The Company’s competitive advantage is due in part to its ability to develop and introduce new products in a timely manner at favorable margins. The uncertainties associated with developing and introducing new products, such as market demand and costs of development and production may impede the successful development and introduction of new products on a consistent basis. Introduction of new technology may result in higher costs to the Company than that of the technology replaced. That increase in costs, which may continue indefinitely or until and if increased demand and greater availability in the sources of the new technology drive down its cost could adversely affect the Company’s results of operations. Market acceptance of the new products introduced in recent years and scheduled for introduction in 2014 and beyond may not meet sales expectations due to various factors, such as the failure to accurately predict market demand, end-user preferences, and evolving industry standards. Moreover, the ultimate success and profitability of the new products may depend on the Company’s ability to resolve technical and technological challenges in a timely and cost-effective manner, and to achieve manufacturing efficiencies. The Company’s investments in productive capacity and commitments to fund advertising and product promotions in connection with these new products could erode profits if those expectations are not met.

The Company's brands are important assets of its businesses and violation of its trademark rights by imitators, or the failure of its licensees or vendors to comply with the Company's product quality, manufacturing requirements, marketing standards, and other requirements could negatively impact revenues and brand reputation.

The Company's trademarks enjoy a reputation for quality and value and are important to its success and competitive position. Unauthorized use of the Company's trademark rights may not only erode sales of the Company's products, but may also cause significant damage to its brand name and reputation, interfere with its ability to effectively represent the Company to its customers, contractors, suppliers, and/or licensees, and increase litigation costs. Similarly, failure by licensees or vendors to adhere to the Company's standards of quality and other contractual requirements could result in loss of revenue, increased litigation, and/or damage to the Company's reputation and business. There can be no assurance that the Company's on-going effort to protect its brand and trademark rights and ensure compliance with its licensing and vendor agreements will prevent all violations.

Successful sales and marketing efforts depend on the Company's ability to recruit and retain qualified employees.

The success of the Company's efforts to grow its business depends on the contributions and abilities of key executives, its sales force and other personnel, including the ability of its sales force to adapt to any changes made in the sales organization and achieve adequate customer coverage. The Company must therefore continue to recruit, retain and motivate management, sales and other personnel sufficiently to maintain its current business and support its projected growth. A shortage of these key employees might jeopardize the Company's ability to implement its growth strategy.

The Company has significant operations outside of the United States, which are subject to political, economic and other risks inherent in operating outside of the United States.

The Company generates revenue outside of the United States and expects it to continue to represent a significant portion of its total revenue. Business operations outside of the United States are subject to political, economic and other risks inherent in operating in certain countries, such as:

- the difficulty of enforcing agreements and protecting assets through legal systems outside the U.S.;
- managing widespread operations and enforcing internal policies and procedures such as compliance with U.S. and foreign anti-bribery and anti-corruption regulations;
- trade protection measures and import or export licensing requirements;
- the application of certain labor regulations outside of the United States;
- compliance with a wide variety of non-U.S. laws and regulations;
- changes in the general political and economic conditions in the countries where the Company operates, particularly in emerging markets;
- the threat of nationalization and expropriation;
- increased costs and risks of doing business in a wide variety of jurisdictions;
- government controls limiting importation of goods;
- government controls limiting payments to suppliers for imported goods;
- limitations on repatriation of earnings; and
- exposure to wage, price and capital controls.

Changes in the political or economic environments in the countries in which the Company operates could have a material adverse effect on its financial condition, results of operations or cash flows.

The Company's business is subject to risks associated with sourcing and manufacturing overseas.

The Company imports large quantities of finished goods, component parts and raw materials. Substantially all of its import operations are subject to customs requirements and to tariffs and quotas set by governments through mutual agreements, bilateral actions or, in some cases unilateral action. In addition, the countries in which the Company's products and materials are manufactured or imported may from time to time impose additional quotas, duties, tariffs or other restrictions on its imports (including restrictions on manufacturing operations) or adversely modify existing restrictions. Imports are also subject to unpredictable foreign currency variation which may increase the Company's cost of goods sold. Adverse changes in these import costs and restrictions, or the Company's suppliers' failure to comply with customs regulations or similar laws, could harm the Company's business.

The Company's operations are also subject to the effects of international trade agreements and regulations such as the North American Free Trade Agreement, and the activities and regulations of the World Trade Organization. Although these trade agreements generally have positive effects on trade liberalization, sourcing flexibility and cost of goods by reducing or eliminating the duties and/or quotas assessed on products manufactured in a particular country, trade agreements can also impose requirements that adversely affect the Company's business, such as setting quotas on products that may be imported from a particular country into key markets including the U.S. or the European Union, or making it easier for other companies to compete, by eliminating restrictions on products from countries where the Company's competitors source products.

The Company's ability to import products in a timely and cost-effective manner may also be affected by conditions at ports or issues that otherwise affect transportation and warehousing providers, such as port and shipping capacity, labor disputes, severe weather or increased homeland security requirements in the U.S. and other countries. These issues could delay importation of products or require the Company to locate alternative ports or warehousing providers to avoid disruption to customers. These alternatives may not be available on short notice or could result in higher transit costs, which could have an adverse impact on the Company's business and financial condition.

The Company's success depends on its ability to improve productivity and streamline operations to control or reduce costs.

The Company is committed to continuous productivity improvement and evaluating opportunities to reduce fixed costs, simplify or improve processes, and eliminate excess capacity. The Company has undertaken restructuring actions, the savings of which may be mitigated by many factors, including economic weakness, competitive pressures, and decisions to increase costs in areas such as sales promotion or research and development above levels that were otherwise assumed. Failure to achieve or delays in achieving projected levels of efficiencies and cost savings from such measures, or unanticipated inefficiencies resulting from manufacturing and administrative reorganization actions in progress or contemplated, would adversely affect the Company's results.

The performance of the Company may suffer from business disruptions associated with information technology, system implementations, or catastrophic losses affecting distribution centers and other infrastructure.

The Company relies heavily on computer systems to manage and operate its businesses, and record and process transactions. Computer systems are important to production planning, customer service and order fulfillment among other business-critical processes. Consistent and efficient operation of the computer hardware and software systems is imperative to the successful sales and earnings performance of the various businesses in many countries.

Despite efforts to prevent such situations, insurance policies and loss control and risk management practices that partially mitigate these risks, the Company's systems may be affected by damage or interruption from, among other causes, power outages, computer viruses, or security breaches. Computer hardware and storage equipment that is integral to efficient operations, such as e-mail, telephone and other functionality, is concentrated in certain physical locations in the various continents in which the Company operates.

In addition, the Company is in the process of system conversions to SAP as well as other applications to provide a common platform across most of its businesses. There can be no assurances that expected expense synergies will be achieved or that there will not be delays to the expected timing of such synergies. It is possible the costs to complete the system conversions may exceed current expectations, and that significant costs may be incurred that will require immediate expense recognition as opposed to capitalization. The risk of disruption to key operations is increased when complex system changes such as the SAP conversions are undertaken. If systems fail to function effectively, or become damaged, operational delays may ensue and the Company may be forced to make significant expenditures to remedy such issues. Any significant disruption in the Company's computer operations could have a material adverse impact on its business and results.

The Company’s operations are significantly dependent on infrastructure, notably certain distribution centers and security alarm monitoring facilities, which are concentrated in various geographic locations. If any of these were to experience a catastrophic loss, such as a fire, earthquake, hurricane, or flood, it could disrupt operations, delay production, shipments and revenue and result in large expenses to repair or replace the facility. The Company maintains business interruption insurance, but it may not fully protect the Company against all adverse effects that could result from significant disruptions.

Unforeseen events, including war, terrorism and other international conflicts and public health issues, whether occurring in the United States or abroad, could disrupt the Company's operations, disrupt the operations of its suppliers or customers, or result in political or economic instability. These events could reduce demand for its products and make it difficult or impossible for the Company to manufacture its products, deliver products to customers, or to receive materials from suppliers.

The Company’s results of operations could be negatively impacted by inflationary or deflationary economic conditions which could affect the ability to obtain raw materials, component parts, freight, energy, labor and sourced finished goods in a timely and cost-effective manner.

The Company’s products are manufactured using both ferrous and non-ferrous metals including, but not limited to, steel, zinc, copper, brass, aluminum, and nickel. Additionally, the Company uses other commodity-based materials for components and packaging including, but not limited to, plastics, resins, wood and corrugated products. The Company’s cost base also reflects significant elements for freight, energy and labor. The Company also sources certain finished goods directly from vendors. If the Company is unable to mitigate any inflationary increases through various customer pricing actions and cost reduction initiatives, its profitability may be adversely affected.

Conversely, in the event there is deflation, the Company may experience pressure from its customers to reduce prices; there can be no assurance that the Company would be able to reduce its cost base (through negotiations with suppliers or other measures) to offset any such price concessions which could adversely impact results of operations and cash flows.

Further, as a result of inflationary or deflationary economic conditions, the Company believes it is possible that a limited number of suppliers may either cease operations or require additional financial assistance from the Company in order to fulfill their obligations. In a limited number of circumstances, the magnitude of the Company’s purchases of certain items is of such significance that a change in established supply relationships with suppliers or increase in the costs of purchased raw materials, component parts or finished goods could result in manufacturing interruptions, delays, inefficiencies or an inability to market products. Changes in value-added tax rebates currently available to the Company or to its suppliers could also increase the costs of the Company’s manufactured products as well as purchased products and components and could adversely affect the Company’s results.

Uncertainty about the financial stability of several countries in the European Union (EU), the risk that those countries may default on their sovereign debt and related stresses on the European economy could have a significant adverse effect on the Company's business, results of operations and financial condition.

The Company generates approximately 26% of its revenues from Europe. Each of the Company’s segments generate sales from the European marketplace, with the sales activity being somewhat concentrated within France, the Nordic region, Germany and the UK. While the Company believes any downturn in the European marketplace would be offset to some degree by sales growth in emerging markets and relative stability in North America, the Company’s future growth, profitability and financial liquidity could be affected, in several ways, including but not limited to the following:

- depressed consumer and business confidence may decrease demand for products and services;
- customers may implement cost-reduction initiatives or delay purchases to address inventory levels;
- significant declines of foreign currency values in countries where the Company operates could impact both the revenue growth and overall profitability in those geographies;
- a devaluation of or a break-up of the Euro could have an effect on the credit worthiness (as well as the availability of funds) of customers impacting the collectability of receivables;
- a devaluation of or break of the Euro could have an adverse effect on the value of financial assets of the Company in the effected countries;

- the impact of an event (individual country default or break up of the Euro) could have an adverse impact on the global credit markets and global liquidity potentially impacting the Company's ability to access these credit markets and to raise capital.

The Company is exposed to market risk from changes in foreign currency exchange rates which could negatively impact profitability.

The Company manufactures and sells its products in many countries throughout the world. As a result, there is exposure to foreign currency risk as the Company enters into transactions and makes investments denominated in multiple currencies. The Company's predominant exposures are in European, Canadian, British, Australian, Latin American, and Asian currencies, including the Chinese Renminbi ("RMB") and the Taiwan Dollar. In preparing its financial statements, for foreign operations with functional currencies other than the U.S. dollar, asset and liability accounts are translated at current exchange rates, and income and expenses are translated using weighted-average exchange rates. With respect to the effects on translated earnings, if the U.S. dollar strengthens relative to local currencies, the Company's earnings could be negatively impacted. In 2013, translational and transactional foreign currency fluctuations negatively impacted pre-tax earnings by approximately $60 million and diluted earnings per share by approximately $0.30. The translational and transactional impacts will vary over time and may be more material in the future. Although the Company utilizes risk management tools, including hedging, as it deems appropriate, to mitigate a portion of potential market fluctuations in foreign currencies, there can be no assurance that such measures will result in all market fluctuation exposure being eliminated. The Company does not make a practice of hedging its non-U.S. dollar earnings.

The Company sources many products from China and other Asian low-cost countries for resale in other regions. To the extent the RMB or other currencies appreciate, the Company may experience cost increases on such purchases. The Company may not be successful at implementing customer pricing or other actions in an effort to mitigate the related cost increases and thus its profitability may be adversely impacted.

The Company has incurred, and may incur in the future, significant indebtedness, or issue additional equity securities, in connection with mergers or acquisitions which may impact the manner in which it conducts business or the Company's access to external sources of liquidity. The potential issuance of such securities may limit the Company's ability to implement elements of its growth strategy and may have a dilutive effect on earnings.

As described in Note H, Long-Term Debt and Financing Arrangements, of the Notes to Consolidated Financial Statements in Item 8, the Company has a five year $1.5 billion committed credit facility and a $500 million 364 day committed credit facility. No amounts were outstanding against these facilities at December 28, 2013.

The instruments and agreements governing certain of the Company's current indebtedness contain requirements or restrictive covenants that include, among other things:

- a limitation on creating liens on certain property of the Company and its subsidiaries;
- a restriction on entering into certain sale-leaseback transactions;
- customary events of default. If an event of default occurs and is continuing, the Company might be required to repay all amounts outstanding under the respective instrument or agreement; and
- maintenance of a specified financial ratio. The Company has an interest coverage covenant that must be maintained to permit continued access to its committed revolving credit facilities. The interest coverage ratio tested for covenant compliance compares adjusted Earnings Before Interest, Taxes, Depreciation and Amortization to adjusted Interest Expense ("adjusted EBITDA"/"adjusted Interest Expense"); such adjustments to interest or EBITDA include, but are not limited to, removal of non-cash interest expense, certain restructuring and other merger and acquisition-related charges as well as stock-based compensation expense. The ratio required for compliance is 3.5 times EBITDA to 1.0 times Interest Expense and is computed quarterly, on a rolling twelve months (last twelve months) basis. Under this covenant definition, the interest coverage ratio was approximately 8 times EBITDA or higher in each of the 2013 quarterly measurement periods. Management does not believe it is reasonably likely the Company will breach this covenant. Failure to maintain this ratio could adversely affect further access to liquidity.

Future instruments and agreements governing indebtedness may impose other restrictive conditions or covenants. Such covenants could restrict the Company in the manner in which it conducts business and operations as well as in the pursuit of its growth and repositioning strategies.

The Company is exposed to counterparty risk in its hedging arrangements.

From time to time, the Company enters into arrangements with financial institutions to hedge exposure to fluctuations in currency and interest rates, including forward contracts, options and swap agreements. The failure of one or more counterparties to the Company's hedging arrangements to fulfill their obligations could adversely affect the Company's results of operations.

Tight capital and credit markets or the failure to maintain credit ratings could adversely affect the Company by limiting the Company's ability to borrow or otherwise access liquidity.

The Company's long-term growth plans are dependent on, among other things, the availability of funding to support corporate initiatives and complete appropriate acquisitions and the ability to increase sales of existing product lines. While the Company has not encountered financing difficulties to date, the capital and credit markets experienced extreme volatility and disruption in recent years. Market conditions could make it more difficult for the Company to borrow or otherwise obtain the cash required for significant new corporate initiatives and acquisitions. In addition, there could be a number of follow-on effects from such a credit crisis on the Company's businesses, including insolvency of key suppliers resulting in product delays; inability of customers to obtain credit to finance purchases of the Company's products and services and/or customer insolvencies.

In addition, the major rating agencies regularly evaluate the Company for purposes of assigning credit ratings. The Company's ability to access the credit markets, and the cost of these borrowings, is affected by the strength of its credit ratings and current market conditions. Failure to maintain credit ratings that are acceptable to investors may adversely affect the cost and other terms upon which the Company is able to obtain financing, as well as access to the capital markets.

The Company's acquisitions may result in certain risks for its business and operations.

In 2013, the Company completed the acquisition of Infastech and purchased a 60% controlling share in Jiangsu Guoqiang Tools ("GQ"), as well as a number of smaller acquisitions. In 2012, the Company completed seven smaller acquisitions. In 2011, the Company completed the acquisition of Niscayah and nine smaller acquisitions. Prior to 2010, along with the Merger, the Company completed a number of acquisitions, including, but not limited to, CRC-Evans, GdP, Sonitrol and Xmark. The Company may make additional acquisitions in the future.

Acquisitions involve a number of risks, including:

- the possibility that the acquired companies will not be successfully integrated or that anticipated cost savings, synergies, or other benefits will not be realized,
- the acquired businesses will lose market acceptance or profitability,
- the diversion of Company management's attention and other resources,
- the incurrence of unexpected liabilities, and
- the loss of key personnel and clients or customers of acquired companies.

In addition, the success of the Company's long-term growth and repositioning strategy will depend in part on its ability to:

- identify suitable future acquisition candidates,
- obtain the necessary financing,
- combine operations,
- integrate departments, systems and procedures, and
- obtain cost savings and other efficiencies from the acquisitions.

Failure to effectively consummate or manage future acquisitions may adversely affect the Company's existing businesses and harm its operational results due to large write-offs, contingent liabilities, substantial depreciation, adverse tax or other consequences. The Company is still in the process of integrating the businesses and operations of recent acquisitions in 2013. The Company cannot ensure that such integrations will be successfully completed or that all of the planned synergies will be realized.

Expansion of the Company's activity in emerging markets may result in risks due to differences in business practices and cultures.

The Company's growth plans include efforts to increase revenue from emerging markets through both organic sales and acquisitions. Local business practices in these regions may not comply with US laws, local laws or other laws applicable to the Company. When investigating potential acquisitions, the Company seeks to identify historical practices of target companies that would create liability or other exposures for the Company were they to continue post-completion or as a successor to the target. Where such practices are discovered, the Company assesses the risk to determine whether it is prepared to proceed with the transaction. In assessing the risk, the Company looks at, among other factors, the nature of the violation, the potential liability, including any fines or penalties that might be incurred, the ability to avoid, minimize or obtain indemnity for the risks, and the likelihood that the Company would be able to ensure that any such practices are discontinued following completion of the acquisition through implementation of its own policies and procedures. Due diligence and risk assessment are, however, imperfect processes, and it is possible that the Company will not discover problematic practices until after completion, or that the Company will underestimate the risks associated with historical activities. Should that occur, the Company may incur fees, fines, penalties, injury to its reputation or other damage that could negatively impact the Company's earnings.

Income tax payments may ultimately differ from amounts currently recorded by the Company as income tax expense. Future tax law changes and audit results may materially increase the Company's prospective income tax expense.

Pursuant to the rules of ASC 740, Accounting for Income Taxes, income tax payments made may differ from the total income tax expense recorded, primarily due to deferred taxes and income tax reserves. The Company is subject to income taxation in the U.S. as well as numerous foreign jurisdictions. Judgment is required in determining the Company's worldwide income tax provision and accordingly there are many transactions and computations for which the final income tax determination is uncertain. The Company is routinely audited by income tax authorities in many tax jurisdictions. Although management believes the recorded tax estimates are reasonable, the ultimate outcome from any audit (or related litigation) could be materially different from amounts reflected in the Company's income tax provisions and accruals. Future settlements of income tax audits may have a material effect on earnings between the period of initial recognition of tax estimates in the financial statements and the point of ultimate tax audit settlement. Additionally, it is possible that future income tax legislation may be enacted that could have a material impact on the Company's worldwide income tax provision beginning with the period that such legislation becomes enacted. Also, while a reduction in statutory rates would result in a favorable impact on future net earnings, it would require an initial write down of any deferred tax assets in the related jurisdiction.

The Company’s failure to continue to successfully avoid, manage, defend, litigate and accrue for claims and litigation could negatively impact its results of operations or cash flows.

The Company is exposed to and becomes involved in various litigation matters arising out of the ordinary routine conduct of its business, including, from time to time, actual or threatened litigation relating to such items as commercial transactions, product liability, workers compensation, the Company’s distributors and franchisees, intellectual property claims and regulatory actions.

In addition, the Company is subject to environmental laws in each jurisdiction in which business is conducted. Some of the Company’s products incorporate substances that are regulated in some jurisdictions in which it conducts manufacturing operations. The Company could be subject to liability if it does not comply with these regulations. In addition, the Company is currently, and may in the future be held responsible for remedial investigations and clean-up costs resulting from the discharge of hazardous substances into the environment, including sites that have never been owned or operated by the Company but at which it has been identified as a potentially responsible party under federal and state environmental laws and regulations. Changes in environmental and other laws and regulations in both domestic and foreign jurisdictions could adversely affect the Company’s operations due to increased costs of compliance and potential liability for non-compliance.

The Company manufactures products, configures and installs security systems and performs various services that create exposure to product and professional liability claims and litigation. If such products, systems and services are not properly manufactured, configured, installed, designed or delivered, personal injuries, property damage or

business interruption could result, which could subject the Company to claims for damages. The costs associated with defending product liability claims and payment of damages could be substantial. The Company’s reputation could also be adversely affected by such claims, whether or not successful.
There can be no assurance that the Company will be able to continue to successfully avoid, manage and defend such matters. In addition, given the inherent uncertainties in evaluating certain exposures, actual costs to be incurred in future periods may vary from the Company’s estimates for such contingent liabilities.
The Company’s products could be recalled.

The Consumer Product Safety Commission or other applicable regulatory bodies may require the recall, repair or replacement of the Company's products if those products are found not to be in compliance with applicable standards or regulations. A recall could increase costs and adversely impact the Company's reputation.

The Company is exposed to credit risk on its accounts receivable.

The Company's outstanding trade receivables are not generally covered by collateral or credit insurance. While the Company has procedures to monitor and limit exposure to credit risk on its trade and non-trade receivables, there can be no assurance such procedures will effectively limit its credit risk and avoid losses, which could have an adverse affect on the Company's financial condition and operating results.

If the Company were required to write down all or part of its goodwill, indefinite-lived trade names, or other definite-lived intangible assets, its net income and net worth could be materially adversely affected.

As a result of the Black and Decker merger and other acquisitions, the Company has $7.6 billion of goodwill, $1.6 billion of indefinite-lived trade names and $1.5 billion of definite-lived intangible assets at December 28, 2013. The Company is required to periodically, at least annually, determine if its goodwill or indefinite-lived trade names have become impaired, in which case it would write down the impaired portion of the intangible asset. The definite-lived intangible assets, including customer relationships, are amortized over their estimated useful lives; such assets are also evaluated for impairment when appropriate. Impairment of intangible assets may be triggered by developments outside of the Company's control, such as worsening economic conditions, technological change, intensified competition or other factors resulting in deleterious consequences.

If the investments in employee benefit plans do not perform as expected, the Company may have to contribute additional amounts to these plans, which would otherwise be available to cover operating expenses or other business purposes.

The Company sponsors pension and other post-retirement defined benefit plans. The Company's defined benefit plan assets are currently invested in equity securities, government and corporate bonds and other fixed income securities, money market instruments and insurance contracts. The Company's funding policy is generally to contribute amounts determined annually on an actuarial basis to provide for current and future benefits in accordance with applicable law which require, among other things, that the Company make cash contributions to under-funded pension plans. During 2013, the Company made cash contributions to its defined benefit plans of $110 million and it expects to contribute $101 million to its defined benefit plans in 2014.

There can be no assurance that the value of the defined benefit plan assets, or the investment returns on those plan assets, will be sufficient in the future. It is therefore possible that the Company may be required to make higher cash contributions to the plans in future years which would reduce the cash available for other business purposes, and that the Company will have to recognize a significant pension liability adjustment which would decrease the net assets of the Company and result in higher expense in future years. The fair value of these assets at December 28, 2013 was $2.129 billion.

Legal or technological hurdles associated with the expansion of use of RFID and RTLS technologies in Company products could adversely affect the Company's growth initiatives and long term results.

The Company's growth initiatives call for expansions of use of RFID and RTLS technologies both geographically and through incorporation of these technologies into new products. In connection with these activities, the Company may encounter both technological difficulties and legal impediments, including, but not limited to, design requirements, ownership claims and licensing or permitting requirements, that could delay or prevent the use of these technologies in certain products and/or in certain geographies. Any such impediments could adversely impact the Company's plans for growth and future results.

Risks associated with hostilities involving North Korea.

The Company has a number of key suppliers in South Korea. Escalation of hostilities with North Korea and/or military action in the region could cause disruptions in the Company's supply chain which could, in turn, cause product shortages, delays in delivery and/or increases in the Company's cost incurred to produce and deliver products to its customers.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

As of December 28, 2013, the Company and its subsidiaries owned or leased significant facilities used for manufacturing, distribution and sales offices in 20 states and 16 foreign countries. The Company leases its corporate headquarters in New

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Britain, Connecticut. The Company has 78 other facilities that are larger than 100,000 square feet. These facilities are broken out by segment as follows:

	Owned	Leased	Total
CDIY	29	16	45
Industrial	19	6	25
Security	5	3	8
Total	53	25	78

The combined size of these facilities is approximately 20 million square feet. The buildings are in good condition, suitable for their intended use, adequate to support the Company’s operations, and generally fully utilized.

ITEM 3. LEGAL PROCEEDINGS

In the normal course of business, the Company is involved in various lawsuits and claims, including product liability, environmental and distributor claims, and administrative proceedings. The Company does not expect that the resolution of these matters will have a materially adverse effect on the Company’s consolidated financial position, results of operations or liquidity.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR THE REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

The Company’s common stock is listed and traded on the New York Stock Exchange, Inc. (“NYSE”) under the abbreviated ticker symbol “SWK”, and is a component of the Standard & Poor’s (“S&P”) 500 Composite Stock Price Index. The Company’s high and low quarterly stock prices on the NYSE for the years ended December 28, 2013 and December 29, 2012 follow:

	2013			2012		
	High	Low	Dividend Per Common Share	High	Low	Dividend Per Common Share
QUARTER:						
First	$81.61	$73.97	$0.49	$81.34	$69.89	$0.41
Second	$81.84	$74.36	$0.49	$79.02	$60.61	$0.41
Third	$91.50	$77.78	$0.50	$78.25	$59.25	$0.49
Fourth	$92.36	$74.37	$0.50	$76.49	$66.77	$0.49
Total			$1.98			$1.80

As of February 5, 2014 there were 11,206 holders of record of the Company’s common stock. Information required by Item 201(d) of Regulation S-K concerning securities authorized for issuance under equity compensation plans can be found under Item 12 of this Annual Report on Form 10-K.

The following table provides information about the Company’s purchases of equity securities that are registered by the Company pursuant to Section 12 of the Exchange Act for the three months ended December 28, 2013:

2013	(a) Total Number Of Shares Purchased	Average Price Paid Per Share	Total Number Of Shares Purchased As Part Of A Publicly Announced Plan or Program	Maximum Number Of Shares That May Yet Be Purchased Under The Program
September 29 – November 3	2,076	$90.63	—	—
November 4 – November 30	—	$—	—	—
December 1 – December 29	79,554	$80.88	—	—
Total	81,630	$81.13	—	—

(a) The shares of common stock in this column were deemed surrendered to the Company by participants in various benefit plans of the Company to satisfy the participants' taxes related to vesting or delivery of time-vesting restricted share units under those plans.

On July 13, 2012, the Board of Directors approved a new repurchase of up to 20 million shares of the Company's common stock. In December 2012, upon executing an accelerated share repurchase contract, the Company received 9.3 million shares as well as an additional 1.6 million shares upon settlement of the contract in April 2013. In April 2013, the Company received 0.6 million shares upon settlement of the capped call options purchased in November 2012. For further detail on these transactions, see Note J. Capital Stock. As of December 28, 2013, 8.5 million shares of common stock remain authorized for repurchase.

ITEM 6. SELECTED FINANCIAL DATA

The Black & Decker merger and other significant acquisitions made by the Company during the five-year period presented below affect comparability of results. Refer to Note E, Acquisitions, of the Notes to Consolidated Financial Statements for further information. Additionally, as detailed in Note T, Discontinued Operations, of the Notes to Consolidated Financial Statements, and prior year 10-K filings, the results in 2009 through 2013 were recast for certain discontinued operations for comparability (in millions, except per share amounts):

	2013 (a)	2012 (b)	2011 (c)	2010 (d)	2009 (e)
Continuing Operations:					
Net sales	$11,001	$10,148	$9,377	$7,444	$3,436
Net earnings from continuing operations attributable to common shareowners	$518	$465	$607	$151	$211
Net (loss) earnings from discontinued operations	$(28)	$419	$68	$47	$13
Net earnings attributable to common shareowners	$490	$884	$675	$198	$224
Basic earnings (loss) per share:					
Continuing operations	$3.34	$2.85	$3.65	$1.03	$2.63
Discontinued operations (f)	$(0.18)	$2.57	$0.41	$0.32	$0.17
Total basic earnings per share	$3.16	$5.41	$4.06	$1.34	$2.81
Diluted earnings (loss) per share:					
Continuing operations	$3.26	$2.79	$3.57	$1.01	$2.62
Discontinued operations (f)	$(0.18)	$2.51	$0.40	$0.31	$0.17
Total diluted earnings per share	$3.09	$5.30	$3.97	$1.32	$2.79
Percent of net sales (Continuing operations):					
Cost of sales	64.3%	63.6%	63.2%	64.1%	59.4%
Selling, general and administrative (g)	24.7%	24.6%	25.1%	26.7%	27.6%
Other-net	2.6%	3.0%	2.7%	2.5%	2.6%
Interest, net	1.3%	1.3%	1.2%	1.4%	1.8%
Earnings before income taxes	5.3%	5.3%	7.0%	2.3%	7.6%
Net earnings from continuing operations attributable to common shareowners	4.7%	4.6%	6.5%	2.0%	6.1%
Balance sheet data:					
Total assets	$16,535	$15,844	$15,949	$15,139	$4,769
Long-term debt	$3,799	$3,527	$2,926	$3,018	$1,085
Stanley Black & Decker, Inc.'s Shareowners' Equity	$6,799	$6,667	$7,004	$7,017	$1,986
Ratios:					
Total debt to total capital	38.2%	34.7%	33.0%	32.9%	41.0%
Income tax rate — continuing operations	11.8%	14.4%	7.9%	11.1%	18.2%
Common stock data:					
Dividends per share	$1.98	$1.80	$1.64	$1.34	$1.30
Equity per share at year-end	$43.73	$43.19	$42.84	$42.18	$24.68
Market price per share — high	$92.36	$81.34	$77.29	$67.29	$53.13
Market price per share — low	$73.97	$59.25	$47.83	$49.58	$22.75
Average shares outstanding (in 000's):					
Basic	155,237	163,067	165,832	147,224	79,788
Diluted	158,776	166,701	170,105	150,167	80,396
Other information:					

Average number of employees	49,445	45,327	44,309	36,939	17,393
Shareowners of record at end of year	11,235	11,285	11,643	11,964	12,315

(a) The Company's 2013 results include $394 million of pre-tax charges related to merger and acquisition-related and other charges, as well as the charges associated with the extinguishment of debt during the fourth quarter of 2013. As a result of these charges, net earnings attributable to common shareowners were reduced by $273 million (or $1.72 per diluted share). As a percentage of Net sales, Cost of sales was 27 basis points higher, Selling, general & administrative was 124 basis points higher, Other-net was 47 basis points higher, Earnings before income taxes was 358 basis points lower, and Net earnings attributable to common shareowners was 248 basis points lower. The Income tax rate — continuing operations ratio was 758 basis points lower.

(b) The Company's 2012 results include $442 million of pre-tax charges related to merger and acquisition-related charges, the charges associated with the $200 million in cost actions implemented in 2012, as well as the charges associated with the extinguishment of debt during the third quarter of 2012. As a result of these charges, net earnings attributable to common shareowners were reduced by $329 million (or $1.97 per diluted share). As a percentage of Net Sales, Cost of sales was 29 basis points higher, Selling, general & administrative was 136 basis points higher, Other-net was 53 basis points higher, Earnings before income taxes was 436 basis points lower, and Net earnings attributable to common shareowners was 324 basis points lower. The Income tax rate — continuing operations ratio was 500 basis points lower. During 2012, the Company recognized an income tax benefit attributable to the settlement of certain tax contingencies of $49 million, or $0.29 per diluted share.

(c) The Company's 2011 results include $236 million of pre-tax merger and acquisition-related charges incurred in connection with the Black & Decker merger and other acquisition activities, such as Niscayah. These charges include facility closure-related charges, employee related matters, including severance costs, transaction and integration costs. As a result of these charges, net earnings attributable to common shareowners were reduced by $186 million (or $1.09 per diluted share). As a percentage of Net sales, Cost of sales was 23 basis points higher, Selling, general & administrative was 105 basis points higher, Other-net was 52 basis points higher, Earnings before income taxes was 251 basis points lower, and Net earnings attributable to common shareowners was 198 basis points lower. The Income tax rate — continuing operations ratio was 347 basis points lower. During 2011, the Company recognized an income tax benefit attributable to the settlement of certain tax contingencies of $73 million, or $0.43 per diluted share.

(d) The Company's Consolidated Financial Statements include Black & Decker's results of operations and cash flows from March 13, 2010. The Company's 2010 results include $478 million of pre-tax merger and acquisition-related charges incurred in connection with the Merger. Such charges include amortization of inventory step-up, facility closure-related charges, certain executive compensation and severance costs, transaction and integration costs, partially offset by pension curtailment gains. As a result of these charges, Net earnings attributable to common shareowners were reduced by $380 million (or $2.53 per diluted share). As a percentage of Net sales, Cost of sales was 196 basis points higher, Selling, general & administrative was 110 basis points higher, Other-net was 49 basis points higher, Earnings before income taxes was 642 basis points lower, and Net earnings attributable to common shareowners was 510 basis points lower. The Income tax rate — continuing operations ratio was 689 basis points lower. In the second quarter of 2010, the Company recognized an income tax benefit attributable to the settlement of certain tax contingencies of $36 million, or $0.21 per diluted share.

(e) In the second quarter of 2009, the Company recognized a $0.34 per diluted share gain on debt extinguishment from the repurchase of $103.0 million of junior subordinated debt securities. In the fourth quarter of 2009, the Company incurred $18 million in after-tax charges, or $0.22 per diluted share, related to transaction and integration planning costs associated with the Merger.

(f) Amounts in 2013 reflect a $28.0 million loss, or $0.18 per diluted share, associated with the HHI divestiture and the two small businesses that were classified as discontinued operations during 2013. Amounts in 2012 reflect earnings of $419.0 million, or $2.51 per diluted share, related to the HHI divestiture, partially offset by losses associated with the two small businesses previously discussed. The net (loss) earnings from discontinued operations in 2013 and 2012 include net gains related to the HHI sale of $4.7 million and $358.9 million, respectively. Refer to Note T, Discontinued Operations, of the Notes to Consolidated Financial Statements in Item 8 for further information. Amounts in 2011, 2010 and 2009 reflect earnings of $68 million (or $0.40 per diluted share), $47 million (or $0.31 per diluted share), and $14 million (or $0.17 per diluted share), respectively, primarily related to the HHI divestiture, the two small businesses classified as discontinued operations in 2013, and the three small businesses divested during 2011.

(g) SG&A is inclusive of the Provision for Doubtful Accounts.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The financial and business analysis below provides information which the Company believes is relevant to an assessment and understanding of its consolidated financial position, results of operations and cash flows. This financial and business analysis should be read in conjunction with the Consolidated Financial Statements and related notes. All references to "Notes" in this Item 7 refer to the Notes to Consolidated Financial Statements included in Item 8 of this Annual Report.

The following discussion and certain other sections of this Annual Report on Form 10-K contain statements reflecting the Company's views about its future performance that constitute "forward-looking statements" under the Private Securities Litigation Reform Act of 1995. These forward-looking statements are based on current expectations, estimates, forecasts and projections about the industry and markets in which the Company operates as well as management's beliefs and assumptions. Any statements contained herein (including without limitation statements to the effect that Stanley Black & Decker, Inc. or its management "believes", "expects", "anticipates", "plans" and similar expressions) that are not statements of historical fact should be considered forward-looking statements. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to predict. There are a number of important factors that could cause actual results to differ materially from those indicated by such forward-looking statements. These factors include, without limitation, those set forth, or incorporated by reference, below under the heading "Cautionary Statements". The Company does not intend to update publicly any forward-looking statements whether as a result of new information, future events or otherwise.

Strategic Objectives

The Company has maintained a consistent strategic framework over time:

- Maintaining portfolio transition momentum by continuing diversification toward higher growth, higher profit businesses, increasing relative weighting of emerging markets and opportunistically consolidating the tool industry;
- Being selective and operating in markets where brand is meaningful, the value proposition is definable and sustainable through innovation and global cost leadership is achievable;
- Pursuing growth on multiple fronts through building existing growth platforms such as security (both convergent and mechanical) and engineered fastening and growing the infrastructure platform;
- Accelerating progress via SFS.

In 2012, the Company undertook to intensify its focus on organic growth in order to achieve its long-term objective of 4-6% organic growth. Stanley's strategy involves industry, geographic and customer diversification, in order to pursue sustainable revenue, earnings and cash flow growth.

Two aspects of the Company's vision are to be a consolidator within the tool industry and to increase its relative weighting in emerging markets. These objectives have been significantly enhanced by the Black & Decker merger, which along with the impact from the Company's diversification strategy has driven continued improvements in financial performance. Sales outside the U.S. represented 53% of total net sales in 2013, up from 29% in 2002. As further illustration of the Company's diversification strategy, 2013 sales to U.S. and international home centers and mass merchants were approximately 24%, including nearly 15% in sales to the Company's two largest customers. As operations in the various growth platforms (security, engineered fastening and infrastructure) continue to expand in future years, the proportion of sales to these valued U.S. and international home centers and mass merchants is expected to continue to decrease although they will remain important and highly valued customers.

Execution of this strategy has entailed approximately $6.2 billion of acquisitions since 2002 (aside from the Black & Decker merger), several divestitures (including the sale of HHI in December 2012) and increased brand investment, enabled by cash flow generation and increased debt capacity. Since 2000, the Company has returned 50% of free cash flow to its shareowners.

The Company’s long-term financial objectives are:

- 4-6% organic revenue growth; 10-12% total revenue growth;
- Mid-teens percentage EPS growth;
- Free cash flow greater than or equal to net income;
- Cash flow return on investment (CFROI) of 12-15%;
- Continued dividend growth; and
- Strong investment grade credit rating.

The Company’s long-term capital allocation objectives pertaining to the deployment of free cash flow are:

- Invest approximately 50% in acquisitions; and
- Return approximately 50% to shareowners, as the Company remains committed to continued dividend growth and opportunistic share buy backs.

In the near-term, the Company is focused on improving the operating results of its Security business and achieving its targeted operating leverage. In terms of capital allocation, the Company plans to return approximately $1.5 - $1.7 billion of capital to shareholders through 2015 by extending its pause in strategic M&A activity, continued dividend growth, and repurchasing up to $1 billion in stock during that period.

The following represent recent examples of executing on the Company's strategic objectives:

2013 Acquisitions

In May 2013, the Company purchased a 60% controlling share in Jiangsu Guoqiang Tools Co., Ltd. ("GQ") for a total purchase price of $48.5 million, net of cash acquired. GQ is a manufacturer and seller of power tools, armatures and stators in both domestic and foreign markets. The acquisition of GQ complements the Company's existing power tools product offerings and further diversifies the Company's operations and international presence. GQ is headquartered in Qidong, China and is being consolidated into the Company's CDIY segment.

In February 2013, the Company acquired a 100% ownership interest in Infastech for a total purchase price of $826.4 million, net of cash acquired. Infastech designs, manufactures and distributes highly-engineered fastening technologies and applications for a diverse blue-chip customer base in the industrial, electronics, automotive, construction and aerospace end markets. The acquisition of Infastech adds to the Company's strong positioning in specialty engineered fastening, an industry with solid growth prospects, and further expands the Company's global footprint with its strong concentration in fast-growing emerging markets. Infastech is headquartered in Hong Kong and is being consolidated into the Company's Industrial segment.

2012 Acquisitions

In August 2012, the Company acquired an 89% controlling share of Tong Lung Metal Industry ("Tong Lung") for $102.8 million, net of cash acquired, and assumed $20.0 million of short term debt. The remaining outstanding shares of Tong Lung were purchased in January 2013 for approximately $12.0 million. Tong Lung manufactures and sells commercial and residential locksets. The residential portion of the business was part of the December 2012 sale of the Hardware and Home Improvement business ("HHI") and closed in April 2013, as discussed below. The commercial portion of Tong Lung was retained by the Company and is included within the Security segment.

In June 2012, the Company acquired AeroScout for $238.8 million, net of cash acquired. AeroScout is the market leader in Real-Time Location Systems ("RTLS") for healthcare and certain industrial markets and has been integrated into the Security and Industrial segments.

In May 2012, the Company acquired Powers Fasteners ("Powers") for $220.5 million, net of cash acquired. Powers is a distributor of several complementary product groups, including mechanical anchors, adhesive anchoring systems and powered forced-entry systems, mainly for commercial construction end customers. Powers has been integrated into the CDIY segment.

In January 2012, the Company acquired Lista North America ("Lista") for $89.7 million, net of cash acquired. Lista’s storage and workbench solutions complement the Industrial & Automotive Repair division’s tool, storage, radio frequency identification (“RFID”)-enabled systems, and specialty supply product and service offerings. Lista has been integrated into the Company’s Industrial segment.

HHI and Tong Lung Residential Divestiture

In December 2012, the Company sold HHI to Spectrum Brands Holdings, Inc. ("Spectrum") for approximately $1.4 billion in cash. HHI is a provider of residential locksets, residential builders hardware and plumbing products marketed under the

Kwikset, Weiser, Baldwin, Stanley, National and Pfister brands. The majority of the HHI business was part of the Company's Security segment, while the remainder was part of the Company's CDIY segment. The divestiture of the HHI business is part of the continued diversification of the Company's revenue streams and geographic footprint consistent with the Company's strategic framework.

The purchase and sale agreement stipulated that the sale occur in a First and Second Closing, for approximately $1.3 billion and approximately $94 million, respectively. The First Closing, which excluded the residential portion of the Tong Lung business, occurred on December 17, 2012. The Second Closing, relating to the residential portion of the Tong Lung business, occurred on April 8, 2013. The operating results of HHI, as well as the residential portion of Tong Lung, have been reported as discontinued operations in the Consolidated Financial Statements.

During 2013, the Company completed the 2012 income tax return filings which included the final calculations of the tax gain on HHI sale which took place in 2012. As a result of these tax return filings, the Company recorded an income tax benefit of approximately $19.1 million within discontinued operations related to finalization of the taxable gain on the HHI sale. Changes to the original tax gain were driven primarily by the determination of the final purchase price allocation and the finalization of the U.S. tax basis calculation, both of which were finalized during the year.

The net proceeds from this divestiture were used to repurchase $850 million of the Company's common stock and for debt reduction, to ensure the Company's leverage ratios remain in its target range. The Company used existing sources of liquidity to fund the Infastech acquisition described above.

Refer to Note E, Acquisitions, and Note T, Discontinued Operations, for further discussion of the Company's acquisitions and divestitures.

Driving Further Profitable Growth Within Existing Platforms

While diversifying the business portfolio through expansion in the Company’s specified growth platforms is important, management recognizes that the branded tool and storage product offerings in the CDIY and Industrial segment businesses are important foundations of the Company that continue to provide strong cash flow and growth prospects. Management is committed to growing these businesses through innovative product development, as evidenced by CDIY's success with the first ever battery powered framing nailer under the DEWALT brand, the BLACK+DECKER Steam Mop and the STANLEY FatMax Autolock Tape Measure. Brand support, continued investment in emerging markets and a sharp focus on global cost competitiveness are all expected to foster vitality over the long term. The Company’s IAR business within the Industrial segment continues to reap benefits from its vertical integration of hand and power tools used for industrial and automotive repair purposes as well as advanced industrial storage solutions.

Continuing to Invest in the Stanley Black & Decker Brands

The Company has a strong portfolio of brands associated with high-quality products including STANLEY®, BLACK+DECKER®, DEWALT®, Porter-Cable®, Bostitch®, Proto®, MAC®, Facom®, AeroScout®, Powers®, LISTA®, SIDCHROME®, Vidmar®, SONITROL®, and GQ®. The STANLEY®, BLACK+DECKER® and DEWALT® brands are recognized as three of the world's great brands and are amongst the Company's most valuable assets. Sustained brand support has yielded a steady improvement across the spectrum of legacy Stanley brand awareness measures, notably a climb in unaided Stanley hand tool brand awareness from 27% in 2005 to 40% in 2013. During 2013, Stanley and DEWALT had prominent signage at 10 major league baseball stadiums or 33% of all Major League Baseball games. The Company has also maintained long-standing NASCAR racing sponsorships which provided brand exposure in over 38 race weekends in 2013. The Company is in year six of a ten year alliance agreement with the Walt Disney World Resort® whereby STANLEY® logos are displayed on construction walls throughout the theme parks and STANLEY®, MAC®, Proto®, and Vidmar® brand logos and/or products are featured in various attractions where they will be seen by millions of visitors each year. Additionally, Stanley is “The Official Tool Provider of the Walt Disney World Resort®.” In 2009, the Company also began advertising in the English Premier League, which is the number one soccer league in the world, watched weekly by 650 million people. From the beginning of 2012 through the end of 2013, the Company advertised in approximately 361 televised events. Starting in 2011, the Company became a sponsor of the Liverpool Football Club and the Fulham Football Club including player rights, hospitality assets and stadium signage. The Company advertises in 60 televised Professional

Bull Riders events in the US and Brazil and sponsors five riders. Additionally, the Company sponsors a team and two riders in Moto GP, the world's premiere motorcycle racing series, and has entered a partnership with the Chinese Basketball Association (CBA). The Company will continue to allocate its brand and advertising spend wisely generating more than 100 billion brand impressions annually.

The Stanley Fulfillment System (SFS)

SFS employs continuous improvement techniques to streamline operations and drive efficiency throughout the supply chain. SFS has five primary elements that work in concert: sales and operations planning (“S&OP”), operational lean, complexity reduction, global supply management, and order-to-cash excellence. S&OP is a dynamic and continuous unified process that links and balances supply and demand in a manner that produces world-class fill rates while minimizing DSI (Days Sales of Inventory). Operational lean is the systemic application of lean principles in progressive steps throughout the enterprise to optimize flow toward a pre-defined end state by eliminating waste, increasing efficiency and driving value. Complexity reduction is a focused and overt effort to eradicate costly and unnecessary complexity from the Company's products, supply chain and back room process and organizations. Complexity reduction enables all other SFS elements and, when successfully deployed, results in world-class cost, speed of execution and customer satisfaction. Global supply management focuses on strategically leveraging the company’s scale to achieve the best possible price and payment terms with the best possible quality, service and delivery among all categories of spend. Order-to-cash excellence is a methodical, process-based approach that provides a user-friendly, automated and error-proof customer experience from intent-to-purchase to shipping and billing to payment, while minimizing cash collection cycle time and DSO (Days Sales Outstanding). Other benefits of SFS include reductions in lead times, rapid realization of synergies during acquisition integrations, and focus on employee safety. SFS disciplines helped to mitigate the substantial impact of material and energy price inflation that was experienced in recent years.

SFS is instrumental in the reduction of working capital evidenced by the 40% improvement in working capital turns for the Company from 5.7 at the end of 2010, after the merger with Black & Decker, to 8.0 at the end of 2013. The continued efforts to deploy SFS across the entire Company and increase turns have created significant opportunities to generate incremental free cash flow. Going forward, the Company plans to further leverage SFS to generate ongoing improvements both in the existing business and future acquisitions in working capital turns, cycle times, complexity reduction and customer service levels, with a goal of ultimately achieving 10 working capital turns.

Certain Items Impacting Earnings

Merger and Acquisition-Related and Other Charges Impacting 2013, 2012 and 2011 Earnings

Throughout MD&A, the Company has provided a discussion of the outlook and results both inclusive and exclusive of the merger and acquisition-related and other charges. Merger and acquisition-related charges relate primarily to the Black & Decker merger and Niscayah and Infastech acquisitions, while other charges relate to the losses on debt extinguishments that occurred in 2012 and 2013. The amounts and measures, including gross profit and segment profit, on a basis excluding such charges are considered relevant to aid analysis and understanding of the Company’s results aside from the material impact of these charges. In addition, these measures are utilized internally by management to understand business trends, as once the aforementioned anticipated cost synergies from the Black & Decker merger and other acquisitions are realized, such charges are not expected to recur. The merger and acquisition-related and other charges are as follows:

2013

The Company reported $394 million in pre-tax merger and acquisition-related and other charges during 2013, which were comprised of the following:

- $30 million reducing Gross profit primarily pertaining to integration-related matters and amortization of the inventory step-up adjustment for the Infastech acquisition;
- $136 million in Selling, general & administrative expenses primarily for integration-related administrative costs and consulting fees, as well as employee related matters;
- $52 million in Other-net primarily related to deal transaction costs and the $21 million pre-tax loss on the extinguishment of $300 million of debt in the fourth quarter of 2013; and
- $176 million in net Restructuring charges, which primarily represent Niscayah-related restructuring charges and cost containment actions associated with the severance of employees.

The tax effect on the above charges, some of which were not tax deductible, in 2013 was $121 million, resulting in an after-tax charge of $273 million, or $1.72 per diluted share.

2012

The Company reported $442 million in pre-tax merger and acquisition-related and other charges during 2012, which were comprised of the following:

- $30 million reducing Gross profit primarily pertaining to facility closure-related charges;
- $138 million in Selling, general & administrative expenses primarily for integration-related administrative costs and consulting fees, as well as employee related matters;
- $99 million in Other-net primarily related to transaction costs and the $45 million loss on the extinguishment of $900 million of debt in the third quarter of 2012; and
- $175 million in Restructuring charges, which primarily represent Niscayah-related restructuring charges and cost containment actions associated with the severance of employees.

The tax effect on the above charges, some of which were not tax deductible, in 2012 was $113 million, resulting in an after-tax charge of $329 million, or $1.97 per diluted share.

2011

The Company reported $236 million in pre-tax charges during 2011 pertaining to the Merger and other acquisition activities, which were comprised of the following:

- $21 million reducing Gross profit primarily pertaining to facility closure-related charges;
- $99 million in Selling, general & administrative expenses primarily for integration-related administrative costs and consulting fees, as well as employee related matters;
- $49 million in Other-net predominantly for transaction costs; and
- $67 million in Restructuring charges primarily for severance and the planned closures of facilities.

The tax effect on the above charges, some of which were not tax deductible, in 2011 was $50 million, resulting in an after-tax charge of $186 million, or $1.09 per diluted share.

Outlook for 2014

This outlook discussion is intended to provide broad insight into the Company’s near-term earnings and cash flow generation prospects. The Company expects diluted earnings per share to approximate $5.18 to $5.38 in 2014, inclusive of $25 million of merger and acquisition-related charges to support the Infastech acquisition. Excluding such charges, 2014 earnings per dilutive share is expected to be in the range of $5.30 to $5.50. The Company expects free cash flow to approximate $675 million, which includes approximately $250 million of merger and acquisition-related payments. The 2014 outlook assumes that organic net sales will increase 4% from 2013 driving approximately $0.50 to $0.60 of diluted earnings per share accretion. Organic growth initiatives are expected to yield 2% growth with the remainder from the core business. The Security margin improvement is expected to drive approximately 150 basis points increase to the segment operating margin and yield approximately $0.15 of EPS accretion. Cost containment actions taken in 2013 in CDIY, Industrial and Corporate will have a positive carryover impact of approximately $0.20 of diluted EPS. The Infastech acquisition is expected to add $0.10 of EPS accretion in 2014. Foreign exchange rates are expected to have a negative impact of approximately $0.30 of diluted EPS. An increase in tax rates and Interest & Other expenses combined is expected to drive headwinds of approximately $0.20 to $0.30 of diluted EPS.

As mentioned previously, the Company has decided to intensify its focus on increasing organic growth, concentrated in five major areas during the next few years: (1) increase presence in emerging markets in the Power Tools, Hand Tools and Commercial Hardware mid-price point categories, (2) create a "smart" tools and storage market using radio frequency identification ("RFID") and real-time locating system ("RTLS") technology, (3) leverage the AeroScout RTLS capability into the electronic security market including the acute care vertical within the Company's Healthcare business, (4) offshore oil and gas pipeline service revenue in the Company's Oil & Gas business, and (5) continue to identify and realize revenue synergies associated with several acquisitions and the Black & Decker Merger. From 2013 - 2015, the Company will invest approximately $150 million ($100 million of recurring operating expense and $50 million of capital) to support these initiatives. The Company expects that investment and achievement in these growth areas will generate approximately $850 million of incremental revenue over the same three-year period and should increase its organic growth rate commensurately.

RESULTS OF OPERATIONS

Below is a summary of the Company's operating results at the consolidated level, followed by an overview of business segment performance.

Terminology: The term "organic" is utilized to describe results aside from the impacts of foreign currency fluctuations and acquisitions during their initial 12 months of ownership. This ensures appropriate comparability to operating results of prior periods.

Net Sales: Net sales were $11.001 billion in 2013, up 8% compared to $10.148 billion in 2012. Acquisitions and organic sales volume provided increases of 6% and 3% in net sales, respectively, while unfavorable effects of foreign currency translation resulted in a decrease of 1% in net sales. Overall, pricing was relatively flat from 2012 to 2013. In the CDIY segment, organic sales increased 4% compared to 2012, as a result of successful new product introductions and promotions within the DEWALT, Black & Decker and Bostitch power tool lines, as well as market share gains in the US, Europe and emerging markets due to the implementation of organic growth initiatives. In the Industrial segment, organic sales grew 5% relative to 2012 due to strong organic growth in the Oil & Gas, Industrial & Automotive Repair and Engineered Fastening businesses, while acquisitions (primarily Infastech) provided an additional 17% increase to net sales. In the Security segment, sales increased approximately 1% compared to 2012, mainly due to modest increases in price and acquisitions, as well as favorable impacts of foreign currency fluctuations, partially offset by lower sales volumes in the European business.

Net sales were $10.148 billion in 2012, as compared to $9.377 billion in 2011, an 8% increase. Organic sales volume provided a 2% increase in net sales and the impact of acquisitions provided an additional 8% increase, while unfavorable effects of foreign currency translation resulted in a decrease of 2% in net sales. The CDIY segment grew 5% organically in comparison to 2011, which was driven by successful new product introductions and market share gains under the DEWALT and Black & Decker brands. In the Industrial segment, organic sales grew 1% relative to 2011 due to strong organic growth in the Engineered Fastening business, which was partially offset by IAR exposure to weakening European markets and declines in the Infrastructure business due to lagging results in the onshore pipeline business. Organic net sales in the Security segment declined 4% compared to 2011, which was attributable to a difficult European market impacting the CSS business and weakness within the MAS business in the U.S. tied to slow commercial construction as well as soft National Account spending.

Gross Profit: The Company reported gross profit of $3.933 billion, or 35.7% of net sales, in 2013 compared to $3.696 billion, or 36.4% of net sales, in 2012. Merger and acquisition-related charges, which reduced gross profit, were approximately $30 million in both 2013 and 2012. Excluding these charges, gross profit was 36.0% of net sales in 2013 and 36.7% of net sales in 2012. The decrease in the profit rate year over year was primarily driven by lower Security margins due to sales volume decline, field service inefficiencies, and high European RMR attrition and negative impacts from foreign currency, which more than outweighed the positive impacts of higher volumes, productivity projects and cost synergies.

The Company reported gross profit of $3.696 billion, or 36.4% of net sales, in 2012 compared to $3.451 billion, or 36.8% of net sales, in 2011. Merger and acquisition-related charges, which reduced gross profit, were approximately $30 million in 2012 compared to $21 million in 2011. Excluding these charges, gross profit was 36.7% of net sales in 2012 and 37.0% of net sales in 2011. The decrease in the profit rate year over year was primarily due to negative mix driven by higher revenues in CDIY, which had lower profit margins than Security and Industrial. These factors outweighed the positive impacts from productivity projects and margin improvement initiatives.

SG&A Expense: Selling, general and administrative expenses, inclusive of the provision for doubtful accounts ("SG&A"), were $2.715 billion, or 24.7% of net sales, in 2013 as compared $2.500 billion, or 24.6% of net sales, in 2012. Within SG&A, merger and acquisition-related compensation costs and integration-related expenses totaled $136.3 million and $138.4 million in 2013 and 2012, respectively. Excluding these charges, SG&A was 23.4% of net sales in 2013 compared to 23.3% of net sales in 2012. The slight increase in SG&A rate was mainly attributable to higher expenses associated with the organic growth initiatives and increased sales volume, partially offset by cost synergies and continued cost containment efforts.

SG&A expenses were $2.500 billion, or 24.6% of net sales, in 2012 as compared with $2.358 billion, or 25.0% of net sales in 2011. Within SG&A, merger and acquisition-related compensation costs and integration-related expenses

totaled $138.4 million and $98.3 million in 2012 and 2011, respectively. Excluding these charges, SG&A was 23.3% of net sales in 2012 compared to 24.1% of net sales in 2011. The favorable SG&A rate was mainly driven by sales volume leverage, cost synergies and cost containment efforts.
Distribution center costs (i.e. warehousing and fulfillment facility and associated labor costs) are classified within SG&A. This classification may differ from other companies who may report such expenses within cost of sales. Due to diversity in practice, to the extent the classification of these distribution costs differs from other companies, the Company's gross margins may not

be comparable. Such distribution costs classified in SG&A amounted to $230.4 million in 2013, $203.0 million in 2012 and $202.2 million in 2011.

Corporate Overhead: The corporate overhead element of SG&A and gross profit, which is not allocated to the business segments, amounted to $254 million in 2013, $252 million in 2012 and $245 million in 2011. The previously discussed merger and acquisition-related charges, that unfavorably impacted corporate overhead, totaled $89 million in 2013, $77 million in 2012 and $75 million in 2011. Corporate overhead, excluding merger and acquisition-related costs, represented 1.5%, 1.7%, and 1.8% of net sales in 2013, 2012 and 2011, respectively.

Other-net: Other-net totaled $287.4 million of expense in 2013 compared to $299.8 million of expense in 2012. The decrease was primarily driven by reduced negative impacts of foreign currency losses related to derivatives and lower deal transaction costs, partially offset by higher amortization expense from intangible assets associated with the Infastech acquisition and other 2013 acquisitions.

Other-net amounted to $299.8 million of expense in 2012 compared to $254.3 million of expense in 2011. The increase primarily pertained to higher amortization expense from intangible assets associated with the Niscayah acquisition and other 2012 acquisitions, defined benefit pension settlements, and unfavorable impacts of foreign currency.

Loss on Debt Extinguishment: During the fourth quarter of 2013, the Company extinguished $300 million of its notes payable and recognized a $21 million pre-tax loss on extinguishment. During the third quarter of 2012, the Company repurchased $900 million of its senior notes and recognized a $45 million pre-tax loss on extinguishment.

Interest, net: Net interest expense in 2013 was $147.6 million compared to $134.1 million in 2012 and $113.9 million in 2011. The increase in net interest expense in 2013 versus 2012 mainly relates to the incremental interest costs associated with the higher debt levels during 2013, partially offset by higher interest income. The increase in net interest expense in 2012 versus 2011 mainly relates to lower interest income stemming from lower cash balances.

Income Taxes: The Company's effective tax rate was 11.8% in 2013, 14.4% in 2012, and 7.9% in 2011. The effective tax rate in 2013 differed from the US statutory rate primarily due to a portion of the Company's earnings being realized in lower-taxed foreign jurisdictions, the acceleration of certain tax credits, the recurring benefit of various foreign business integration structures and the reversal of certain foreign and U.S. state uncertain tax position reserves, related largely to statute expiration. The effective tax rate in 2012 differed from the US statutory rate primarily due to the distribution of domestic and foreign earnings and the inclusion of $48.9 million in benefits from a favorable settlement of certain tax contingencies. The effective tax rate in 2011 differed from the US statutory rate primarily due to the inclusion of $73 million of benefits from a favorable settlement of certain tax contingencies, benefits resulting from foreign tax credits, and the distribution of domestic and foreign earnings.

Business Segment Results

The Company’s reportable segments are aggregations of businesses that have similar products, services and end markets, among other factors. The Company utilizes segment profit (which is defined as net sales minus cost of sales and SG&A aside from corporate overhead expense), and segment profit as a percentage of net sales to assess the profitability of each segment. Segment profit excludes the corporate overhead expense element of SG&A, Other-net (inclusive of intangible asset amortization expense), restructuring charges, interest income, interest expense, and income tax expense. Corporate overhead is comprised of world headquarters facility expense, cost for the executive management team and the expense pertaining to certain centralized functions that benefit the entire Company but are not directly attributable to the businesses, such as legal and corporate finance functions. Refer to Note O, Restructuring and Asset Impairments, and Note F, Goodwill and Intangible Assets, of the Notes to Consolidated Financial Statements for the amount of restructuring charges and asset impairments, and intangibles amortization expense, respectively, attributable to each segment. As discussed previously, the Company’s operations are classified into three business segments: CDIY, Industrial and Security.

CDIY:

The CDIY segment is comprised of the Professional Power Tool business, the Consumer Products Group, the Hand Tools & Storage business, and the Fastening & Accessories business. The Professional Power Tool business sells professional grade corded and cordless electric power tools and equipment including drills, impact wrenches and drivers, grinders, saws, routers and sanders. The Consumer Products Group sells corded and cordless electric power tools sold primarily under the Black & Decker brand, lawn and garden products and home products. The Hand Tools & Storage business sells measuring, leveling and layout tools, planes, hammers, demolition tools, knives, saws, chisels, tool boxes, sawhorses and storage units. The Fastening &

Accessories business sells pneumatic tools and fasteners including nail guns, nails, staplers and staples, concrete and masonry anchors, as well as power tool accessories which include drill bits, router bits, abrasives and saw blades.

(Millions of Dollars)	2013		2012		2011	
Net sales	$5,481		$5,190		$5,003	
Segment profit	$798		$721		$635	
% of Net sales	14.6	%	13.9	%	12.7	%

CDIY net sales increased $291.2 million, or 6%, in 2013 compared to 2012. Overall, CDIY grew 4% organically in 2013 largely due to successful new product introductions and promotions within the DEWALT, Black & Decker and Bostitch power tool lines. In North America, organic sales increased 4%, which was primarily driven by promotions, new products and a strengthening residential construction market. The segment also realized 9% organic growth in emerging markets as a result of increasing penetration in connection with the Company's growth initiatives. Europe volumes increased 2% due to new product introductions and market share gains despite continuing stagnant economic conditions. Acquisitions contributed an additional 2% of sales growth while the impacts from foreign currency translation were relatively flat.

Segment profit amounted to $798.0 million, or 14.6% of net sales, in 2013 compared to $720.9 million or 13.9% of net sales in 2012. Excluding $13.0 million in merger and acquisition-related charges, segment profit totaled $811.0 million, or 14.8% of net sales, in 2013 compared to $762.6 million, or 14.7% of net sales, in 2012 (excluding $41.7 million in merger and acquisition-related charges). The slight increase in segment profit year over year resulted primarily from higher volumes and productivity, partially offset by incremental investments in organic growth initiatives and negative impacts from foreign currency.

CDIY net sales increased $186.7 million, or 4%, in 2012 compared with 2011. CDIY grew 5% organically in 2012 largely due to market share gains and successful new products such as the 18/20V DEWALT lithium ion power tools, the DEWALT brushless power tool line as well as the Black & Decker Gyro and Matrix tools. Despite a retracting market in Europe, revenues were flat in the region due to successful market share gains in the U.K., primarily within the DEWALT product lines. Elsewhere, revenue synergies helped drive 16% organic growth in Latin America while traction through select eCommerce, home center and independent channel customers aided in the 5% organic growth in North America. Acquisitions contributed an additional 2% of sales growth, which was offset by a 3% decline due to unfavorable changes in foreign currency translation.

Segment profit amounted to $720.9 million, or 13.9% of net sales, in 2012 compared to $634.8 million or 12.7% of net sales in 2011. Excluding $41.7 million in merger and acquisition-related charges, segment profit totaled $762.6 million, or 14.7% of net sales in 2012 compared to $654.4, or 13.1% of net sales, in 2011 (excluding $19.8 million in merger and acquisition-related charges). The increase in segment profit year over year resulted primarily from cost synergies and volume leverage.

Industrial:

The Industrial segment is comprised of the Industrial and Automotive Repair ("IAR"), Engineered Fastening and Infrastructure businesses. The IAR business sells professional hand tools, power tools, and engineered storage solution products. The Engineered Fastening business primarily sells engineered fastening products and systems designed for specific applications. The product lines include stud welding systems, blind rivets and tools, blind inserts and tools, drawn arc weld studs, engineered plastic and mechanical fasteners, self-piercing riveting systems, precision nut running systems, micro fasteners, and high-strength structural fasteners. The Infrastructure business consists of the Oil & Gas (formerly CRC-Evans) business and the Company’s Hydraulics business. The product lines include custom pipe handling machinery, joint welding and coating machinery, weld inspection services and hydraulic tools and accessories.

(Millions of Dollars)	2013		2012		2011	
Net sales	$3,098		$2,558		$2,493	
Segment profit	$436		$414		$406	
% of Net sales	14.1	%	16.2	%	16.3	%

Industrial net sales increased $539.7 million, or 21%, in 2013 compared with 2012. Organic sales increased 5% and the impact of acquisitions (primarily Infastech) contributed 17%, both of which were partially offset by unfavorable foreign currency translation of 1%. IAR grew 2% organically as a result of volume increases in North America, which were driven by strong MRO vending sales and strength within the Mac Tools mobile distribution driven by new product introductions, and emerging markets. These results were partially offset by the impact of budgetary cuts on IAR's US Government business and lower volumes in Europe. Engineered Fastening achieved organic growth of 3%, which was mainly attributable to global automotive revenues outpacing global light vehicle production. Organic sales for Infrastructure increased 17% as a result of strong growth in the Oil & Gas business, which was driven by a continued rebound in North America onshore operations as well as strong offshore growth performance.

Segment profit increased $21.9 million and reflects $24.8 million of merger and acquisition-related charges. Excluding these charges, segment profit was $461.0 million, or 14.9% of net sales, in 2013 compared to $422.2 million (excluding merger and acquisition-related charges of $7.9 million), or 16.5% of net sales, in 2012. The decrease in the profit rate was driven by higher operating expenses associated with the organic growth initiatives, negative impacts from foreign currency and the impact of modestly below line average Infastech margins.
Industrial net sales increased $65.2 million, or 2.6%, in 2012 compared with 2011. Organic sales increased 1% and the impact of acquisitions contributed 4%, both of which were partially offset by unfavorable foreign currency translation of 2%. The increase in organic sales was primarily attributable to strong results in the Engineered Fastening business, which grew 9% organically, far outpacing global light vehicle production which rose 5%. This solid performance was mostly offset by organic sales declines in European end markets in IAR, weak large diameter onshore pipeline markets which affected the Oil & Gas business, and depressed scrap metal prices, which negatively impacted the Hydraulics business.

Segment profit increased $8.1 million and reflects $7.9 million of merger and acquisition-related charges. Excluding these charges, segment profit was $422.2 million, or 16.5% of net sales, in 2012 compared to $415.6 million (excluding merger and acquisition-related charges of $9.4 million), or 16.7% of net sales, in 2011. The profit rate remained consistent due to sales volume leverage within Engineered Fastening and the success of cost containment measures, which were offset by the impacts of volume reductions in the IAR and Infrastructure businesses.
Security:
The Security segment is comprised of the Convergent Security Solutions ("CSS") and the Mechanical Access Solutions ("MAS") businesses. The CSS business designs, supplies and installs electronic security systems and provides electronic security services, including alarm monitoring, video surveillance, fire alarm monitoring, systems integration and system maintenance. Purchasers of these systems typically contract for ongoing security systems monitoring and maintenance at the time of initial equipment installation. The business also includes healthcare solutions, which markets medical cabinets, asset tracking, infant protection, pediatric protection, patient protection, wander management, fall management, and emergency call products. The MAS business sells automatic doors, commercial hardware, locking mechanisms, electronic keyless entry systems, keying systems, tubular and mortise door locksets.

(Millions of Dollars)	2013		2012		2011	
Net sales	$2,423		$2,400		$1,881	
Segment profit	$238		$313		$297	
% of Net sales	9.8	%	13.0	%	15.8	%

Security net sales increased $22.4 million, or 0.9%, in 2013 compared to 2012. Pricing, acquisitions and foreign currency translation each resulted in a 1% increase to net sales, while lower volumes caused a 2% decrease. CSS North America realized organic revenue growth of 2%, while CSS Europe declined 5% organically due primarily to continued softness in certain regions, most notably France and Southern Europe. MAS organic sales were up 3% as a result of strong growth within the automatic door business due to successful door conversion wins and new product introductions and growth in the commercial mechanical lock business in the emerging markets.
Segment profit amounted to $238.0 million, or 9.8% of net sales, in 2013 compared to $312.7 million, or 13.0% of net sales, in 2012. Excluding merger and acquisition-related charges of $38.7 million, segment profit was $276.7 million, or 11.4% of net sales, in 2013 compared to $354.0 million, or 14.7% of net sales, in 2012 (excluding $41.3 million in merger and acquisition-related charges). The year over year decline in margin was attributable to planned growth investments in vertical solutions and emerging markets, new product development, incremental costs associated with the distributor model transition, investments in field technicians in North America and impacts of continued volume pressures and field inefficiencies in Europe.

Security net sales increased $519.5 million, or 27.6%, in 2012. The impact of acquisitions, principally Niscayah which was acquired in September 2011, increased sales by 32%. Unfavorable foreign currency translation reduced net sales by 1% and organic revenue declined 3% as volume decreases were partially offset by pricing increases. From a geographical standpoint, volume declines in Europe and the U.S. more than offset organic growth in Canada and emerging markets. As was expected, European volume declines within the CSS business more than offset modest growth in North America. The commercial lock business continued to be affected by weakness in the U.S. retrofit market while the automatic door business experienced similar challenges due to reductions in capital spend by its largest customer. Healthcare organic revenue declined due to lower hospital capital expenditures.

Segment profit amounted to $312.7 million, or 13.0% of net sales, in 2012 compared to $297.3 million, or 15.8% of net sales, in 2011. Excluding merger and acquisition-related charges of $41.3 million, segment profit was $354.0 million, or 14.7% of net sales, in 2012 compared to $312.6 million, or 16.6% of net sales, in 2011 (excluding $15.3 million in merger and acquisition-related charges). The year over year decline in margin was primarily driven by lower margins for Niscayah as the Company continued to integrate this business, as well as lower volume in Europe, which were partially offset by cost containment actions in 2012. Further, upon the exclusion of Niscayah's impact on 2012, in addition to merger and acquisition-related charges, segment profit was 15.4% of net sales in 2012.

RESTRUCTURING ACTIVITIES

A summary of the restructuring reserve activity from December 29, 2012 to December 28, 2013 is as follows (in millions):

	12/29/2012	Net Additions (Reversals)	Usage	Currency	12/28/2013
2013 Actions					
Severance and related costs	$—	$178.0	$(26.7)	$3.5	$154.8
Asset impairments	—	18.7	(18.7)	—	—
Facility closures and other	—	27.1	(17.7)	0.4	9.8
Subtotal 2013 actions	—	223.8	(63.1)	3.9	164.6
Pre-2013 Actions					
Severance and related costs	112.1	(48.7)	(46.0)	—	17.4
Facility closures and other	13.1	1.0	(2.3)	—	11.8
Subtotal Pre-2013 actions	125.2	(47.7)	(48.3)	—	29.2
Total	$125.2	$176.1	$(111.4)	$3.9	$193.8

2013 Actions: During 2013, the Company continued with restructuring activities primarily associated with the Black & Decker merger, Niscayah and other acquisitions, as well as other cost reduction actions, and recognized $176.1 million of net restructuring charges. Of those charges, $178.0 million relates to severance charges associated with the reduction of approximately 2,700 employees, which was partially offset by reversals of $48.7 million primarily due to the termination of a previously approved restructuring action due to a shifting political and economic landscape in certain European countries. Also included in those charges are facility closure costs of $28.1 million and asset impairment charges of $18.7 million.

Of the $193.8 million reserves remaining as of December 28, 2013, the majority are expected to be utilized by the end of 2014.

Segments: The $176.1 million of net charges recognized in 2013 includes: $32.8 million pertaining to the CDIY segment; $12.1 million pertaining to the Industrial segment; $94.0 million pertaining to the Security segment; and $37.2 million pertaining to Corporate charges.

In addition to the restructuring charges described in the preceding paragraphs, the Company recognized $165.8 million and $168.3 million of restructuring-related costs in 2013 and 2012, respectively, pertaining to the Merger and acquisition-related activity. All of these charges impact gross profit or selling, general and administrative expenses, and include accelerated depreciation and other charges associated with facility closures as well as certain integration-related administration and consulting costs.

FINANCIAL CONDITION

Liquidity, Sources and Uses of Capital: The Company’s primary sources of liquidity are cash flows generated from operations and available lines of credit under various credit facilities. The Company's cash flows are presented on a consolidated basis and include cash flows from discontinued operations.

Operating Activities: Cash flows from operations were $868 million in 2013 compared to $966 million in 2012, representing a $98 million decrease. Operating cash flows were negatively impacted by merger and acquisition-related charges and payments of $280 million in 2013 and $357 million in 2012. Excluding these charges, cash flows from operations were $1.148 billion and $1.323 billion in 2013 and 2012, respectively. The year over year decrease was primarily driven by the divestiture of HHI in December 2012. Inflows from working capital (accounts receivable, inventory, accounts payable and deferred revenue) were $12 million in 2013 compared to $48 million in 2012. The 2013 inflows were primarily driven by strong cash collections in the fourth quarter of 2013, partially offset by increases in inventory balances due to higher year over year backlog predominantly in

CDIY. As previously discussed, working capital turns improved to 8.0 times at December 28, 2013, as compared to 7.6 times for 2012, which reflects process-driven improvements from SFS. Operating cash flows in 2013 were also negatively impacted by increases in employee related payments and investments in organic growth initiatives.

In 2012, cash flows from operations were $966 million, a $33 million decrease compared to $999 million million in 2011. Cash flows from operations were negatively impacted by merger and acquisition-related charges and payments of $357 million and $218 million in 2012 and 2011, respectively. After adjusting for the impact of the decrease in these charges and payments, cash flows from operations improved in 2012 by a net amount of $106 million due to an increase in earnings. Operating cash flows reflected a continued focus on working capital, resulting in $48 million of inflows in 2012 and $170 million of inflows in 2011. Working capital turns improved to 7.6 times at December 29, 2012 as compared to 7.2 times for 2011.

Free Cash Flow: Management considers free cash flow an important indicator of its liquidity, as well as its ability to fund future growth and provide dividends to shareowners. As previously discussed, operating cash flow was affected by $280 million and $357 million of merger and acquisition-related charges and payments in 2013 and 2012, respectively. Additionally, capitalized expenditures included $72 million and $122 million of merger and integration spending in 2013 and 2012, respectively. Free cash flow does not include deductions for mandatory debt service, other borrowing activity, discretionary dividends on the Company's common stock and business acquisitions, among other items.

(Millions of Dollars)	2013	2012	2011
Net cash provided by operating activities	$868	$966	$999
Less: capital expenditures	(366)	(386)	(302)
Free cash flow	$502	$580	$697

When merger and acquisition-related charges and payments, along with capital expenditures related to merger and acquisition activity, are added back to the Company's free cash flow, the resulting amounts are $854 million in 2013, $1,059 million in 2012 and $1,004 million in 2011. The decrease in 2013 was primarily driven by the divestiture of HHI in December 2012. The Company expects free cash flow, inclusive of merger & acquisition-related charges and payments, to approximate $675 million in 2014.

Based on its potential to generate cash flow from operations and credit position at December 28, 2013, the Company believes over the long term it has the financial flexibility to deploy capital to its shareowners' advantage through a combination of acquisitions, dividends, and potential future share repurchases.

Investing Activities: Cash flows used in investing activities were $1,198.4 million in 2013 compared to cash flows provided by investing activities of $182.7 million in 2012 and cash flows used in investing activities of $1.464 billion in 2011. As previously discussed, net proceeds received from the First and Second Closings of the HHI sale totaled approximately $1.3 billion in 2012 and $94 million in 2013, respectively. Acquisition spending in 2013 totaled $933.9 million in 2013, which was mainly driven by the purchases of Infastech and GQ. Acquisition spending in 2012 totaled $707.3 million, which included the purchases of Powers, AeroScout, Tong Lung, Lista, and the remaining outstanding shares of Niscayah. Cash outflows for business acquisitions were $1.180 billion in 2011, which was largely a result of the Company's acquisition of Niscayah.

Capital and software expenditures were $365.6 million in 2013, $386.0 million in 2012, and $302.1 million in 2011. The higher capital expenditures in 2012 was mainly due to several consolidations of distribution centers.

Financing Activities: Cash flows provided by financing activities were $155.5 million in 2013 compared to cash flows used in financing activities of $1.337 billion in 2012 and $371.8 million in 2011.

Payments on long-term debt totaled $302.2 million, $1.422 billion and $403.2 million in 2013, 2012 and 2011, respectively. The 2013 payments primarily relate to the repurchase of $300 million of Black & Decker Corporation 5.75% senior notes which resulted in the Company paying a premium on the debt extinguishment of $43 million. The 2012 payments primarily relate to the repurchase of three debt instruments with total outstanding principal of $900 million, which resulted in the Company paying a premium on the debt extinguishment of $91 million. The Company also repaid $320 million of its Convertible Notes at maturity, in cash, during 2012. The 2011 repayments pertain to $400 million of term notes that matured in June 2011. The Company had net short-term borrowings totaling $388.7

million in 2013 and repayments on short-term borrowings of $19.1 million in 2012 and $199.4 million in 2011. Proceeds from issuances of long-term debt totaled $726.7 million, $1.524 billion and $421.0 million in 2013, 2012 and 2011, respectively. In December 2013, the Company issued $400 million of 5.75% fixed-to-floating junior subordinated debentures bearing interest at a fixed rate of 5.75% and received $392.0 million of net proceeds. Additionally, the Company issued 3,450,000 Equity Units comprised of a 1/10, or 10%, undivided beneficial ownership in a $1,000 principal amount 2.25%

junior subordinated note due 2018 and a forward common stock purchase contract in which the Company received $334.7 million in cash proceeds from the Equity Units, net of underwriting discounts and commission, before offering expenses, and recorded $345.0 million in long-term debt. The proceeds were used primarily to repay commercial paper borrowings. In November 2012, the Company issued $800 million of senior unsecured term notes with a fixed annual rate of 2.90% and received $793.9 million of net proceeds. The Company also issued $750.0 million of junior subordinated debentures in the third quarter of 2012 and received $729.4 million of net proceeds. In November 2011, the Company issued $400 million of senior unsecured term notes with a 3.40% fixed coupon rate and received $399.6 million in proceeds. The Company used these proceeds to pay down commercial paper. Refer to Note H, Long-Term Debt and Financing Arrangements, for further information regarding the Company's financing arrangements.

In November 2013, the Company purchased from certain financial institutions “out-of-the-money” capped call options on 12.2 million shares of its common stock (subject to customary anti-dilution adjustments) for an aggregate premium of $73.5 million, or an average of $6.03 per share. The average lower strike price is $86.07 and the average upper strike price is $106.56, subject to customary market adjustments. In addition, contemporaneously with the issuance of the Equity Units described above and in Note J, Capital Stock, the Company paid $9.7 million, or an average of $2.77 per option, to enter into capped call transactions on 3.5 million shares of common stock with a major financial institution. The lower strike price is $98.80 and the upper strike price is $112.91. In 2012, the Company purchased from certain financial institutions over the counter “out-of-the-money” capped call options, subject to adjustments for customary anti-dilution adjustments, on 10.1 million shares of its common stock for an aggregate premium of $29.5 million, or an average of $2.92 per share. The capped call options were net-share settled and the Company received 0.6 million shares in April 2013. The purpose of the capped call options is to reduce share price volatility on potential future share repurchases. Refer to Note J, Capital Stock, for further discussion.

During 2013, the Company paid a $42.8 million premium to extinguish $300 million of its Black & Decker Corporation 5.75% senior notes due 2016. This premium was offset by gains of $11.9 million related to the release of fair value adjustments made in purchase accounting, $8.1 million from the recognition of gains on previously terminated derivatives and $2.2 million of accrued interest, resulting in a net pre-tax loss of $20.6 million. Additionally, as noted above, during 2012, the Company repurchased $900 million of outstanding debt by initiating an open market tender offer and paid a premium of $91 million to extinguish the notes. This premium was offset by gains of $35 million from fair value adjustments made in purchase accounting and $10.5 million from terminated derivatives, resulting in a net pre-tax loss of $45.5 million. Refer to Note H, Long-Term Debt and Financing Arrangements, for further discussion of the debt extinguishments. During 2012, the Company also received $58.2 million from the termination of interest rate swaps and paid $102.6 million in relation to the termination of forward starting interest rate swaps. Refer to Note I, Derivative Financial Instruments, for further discussion.

The Company repurchased $39 million, $1.074 billion and $11.1 million of common stock in 2013, 2012 and 2011, respectively. In December 2012, the Company executed an accelerated share repurchase ("ASR") contract of $850 million, which was funded using proceeds from the sale of HHI. The ASR contract terms allowed for an initial delivery of 9.3 million shares, or the equivalent of 80% of the notional value of the contract. The Company received an additional 1.6 million shares upon settlement of the contract in April 2013. The Company also repurchased approximately 3.0 million shares of common stock during the second quarter of 2012 for $200 million. Proceeds from the issuance of common stock totaled $154.6 million, $126.4 million and $119.6 million in 2013, 2012 and 2011, respectively. These amounts received mainly relate to the exercises of stock options.

In January 2013, the Company elected to prepay the forward share purchase contract for $362.7 million, comprised of the $350.0 million purchase price, plus an additional amount related to the forward component of the contract. In August 2013, the Company physically settled the contract, receiving 5.6 million shares and $18.8 million from the financial institution counterparty representing a purchase price adjustment. The reduction of common shares outstanding was recorded at the inception of the forward share purchase contract and factored into the calculation of weighted average shares outstanding.

Cash payments for dividends were $312.7 million, $304.0 million and $275.9 million in 2013, 2012 and 2011, respectively. The increase in dividends in 2013 was primarily attributable to the increase in quarterly dividends per common share to $0.50 per share, as announced in July 2013. The dividend paid to shareholders of record in

December 2013 extended the Company's record for the longest consecutive annual and quarterly dividend payments among industrial companies listed on the New York Stock Exchange. The increase in cash dividends in 2012 was primarily attributable to the increase in quarterly dividends per common share to $0.49 per share, as announced in July 2012.

Credit Ratings and Liquidity:

The Company maintains strong investment grade credit ratings from the major U.S. rating agencies on its senior unsecured debt (average A-), as well as its short-term commercial paper borrowings. There have been no changes to any of the ratings during 2013.

Failure to maintain strong investment grade rating levels could adversely affect the Company's cost of funds, liquidity and access to capital markets, but would not have an adverse effect on the Company's ability to access committed credit facilities.
On December 3, 2013, the Company issued $400.0 million aggregate principal amount of 5.75% fixed-to-floating rate junior subordinated debentures maturing December 15, 2053 ("2053 Junior Subordinated Debentures"). The 2053 Junior Subordinated Debentures will bear interest at a fixed rate of 5.75% per annum, payable semi-annually in arrears to, but excluding December 15, 2018. From and including December 15, 2018, the 2053 Junior Subordinated Debentures will bear interest at an annual rate equal to three-month LIBOR plus 4.304% payable quarterly in arrears. The Company may elect to redeem the debentures, in whole or in part. The debentures subordination and long tenor provides significant credit protection measures for senior creditors and as a result, the debentures' were awarded a 50% equity credit by S&P and Fitch, and a 25% equity credit by Moody's. The Company received proceeds from the offering of $392.0 million net of $8.0 million of underwriting discounts and commissions, before offering expenses. The Company used the net proceeds primarily to repay commercial paper borrowings.

On December 3, 2013, the Company issued 3,450,000 Equity Units (the "Equity Units"), each with a stated value of $100. The Equity Units are initially comprised of a 1/10, or 10%, undivided beneficial ownership in a $1,000 principal amount 2.25% junior subordinated note due 2018 and a forward common stock purchase contract (the "Equity Purchase Contract"). Each Equity Purchase Contract obligates the holders to purchase approximately 3.5 to 4.3 million common shares (or up to a maximum of 6.1 if a fundamental change occurs). The subordination of the notes in the Equity Units combined with the Equity Purchase Contracts resulted in the Equity Units being awarded a 100% equity credit by S&P, and a 50% equity credit by Moody's. The Company received approximately $334.7 million in cash proceeds from the Equity Units, net of underwriting discounts and commission, before offering expenses, and recorded $345.0 million in long-term debt. The proceeds were used primarily to repay commercial paper borrowings.

In June 2013, the Company terminated its four year $1.2 billion committed credit facility with the concurrent execution of a new five year $1.5 billion committed credit facility (the "Credit Agreement"). Borrowings under the Credit Agreement may include U.S. Dollars up to the $1.5 billion commitment or in Euro or Pounds Sterling subject to a foreign currency sublimit of $400.0 million and bear interest at a floating rate dependent upon the denomination of the borrowing. Repayments must be made on June 27, 2018 or upon an earlier termination date of the Credit Agreement, at the election of the Company. Simultaneously, the Company terminated its $1.0 billion 364 day committed credit facility with the concurrent execution of a new $500 million 364 day committed credit facility (the "Facility"). The Facility contains a one year term-out provision and borrowings under the Facility may include U.S. Dollars up to the $500 million commitment or in Euro or Pounds Sterling subject to a foreign currency sublimit of $250 million and bear interest at a floating rate dependent upon the denomination of the borrowing. Repayments must be made by June 26, 2014, unless the one year term-out election is made, or upon an earlier termination date of the Facility, at the election of the Company. The Credit Agreement and Facility are designated to be a liquidity back-stop for the Company's $2.0 billion commercial paper program. As of December 28, 2013, the Company has not drawn on either of these commitments. Concurrently, the guarantees on certain of the Company's outstanding debt obligations were released in accordance with the terms of the indentures governing those obligations. For further information, refer to Note H, Long-Term Debt and Financing Arrangements, and Note U, Parent and Subsidiary Debt Guarantees, in the Notes to Consolidated Financial Statements.
In the third quarter of 2011, the Company entered into a forward share purchase contract on its common stock, which obligated the Company to pay $350.0 million, plus an additional amount related to the forward component of the contract, to the financial institution counterparty not later than August 2013, or earlier at the Company's option, for the 5,581,400 shares purchased. In January 2013, the Company elected to prepay the forward share purchase contract for $362.7 million, comprised of the $350.0 million purchase price, plus an additional amount related to the forward component of the contract. In August 2013, the Company physically settled the contract, receiving 5,581,400 shares and $18.8 million from the financial institution counterparty representing a purchase price adjustment. The reduction of common shares outstanding was recorded at the inception of the forward share purchase contract and factored into

the calculation of weighted average shares outstanding.

On July 25, 2012, the Company issued $750 million of junior subordinated debentures maturing on July 25, 2052 with fixed interest payable quarterly in arrears at a rate of 5.75% per annum. The Company may, at its election, redeem the debentures in whole or in part, at par on or after June 25, 2017. The debentures' subordination, long tenor and interest deferral features provide significant credit protection measures for senior creditors and as a result, the debentures were awarded a 50% equity credit by S&P and Fitch, and a 25% equity credit by Moody's. The net proceeds of $729 million from the offering were used for general corporate purposes, including the repayment of short term debt and the refinancing of recent and near term debt maturities.

In the fourth quarter of 2013, the Company extinguished $300 million of its Black & Decker Corporation 5.75% senior notes due 2016. In the third quarter of 2012, the Company repurchased $900 million of its long-term debt via open market tender and exercise of its right under the redemption provision of each of the notes. The initial funding of the repurchased debt was accomplished by utilizing excess cash on hand and the issuance of Commercial Paper. Refer to Note H, Long-Term Debt and Financing Arrangement, and Note J, Capital Stock, in the Notes to Consolidated Financial Statements in Item 8 for further discussion of the Company's financing arrangements.
Cash and cash equivalents totaled $496 million as of December 28, 2013, comprised of $57 million in the U.S. and $439 million in foreign jurisdictions. As of December 29, 2012 cash and cash equivalents totaled $716 million, comprised of $99 million in the U.S. and $617 million in foreign jurisdictions. Concurrent with the Black & Decker merger, the Company made a determination to repatriate certain legacy Black & Decker foreign earnings, on which U.S. income taxes had not previously been provided. As a result of this repatriation decision, the Company has recorded approximately $418.8 million of associated deferred tax liabilities at December 28, 2013. Current plans and liquidity requirements do not demonstrate a need to repatriate other foreign earnings. Accordingly, all other undistributed foreign earnings of the Company are considered to be permanently reinvested, or will be remitted substantially free of additional tax, consistent with the Company’s overall growth strategy internationally, including acquisitions and long-term financial objectives. No provision has been made for taxes that might be payable upon remittance of these undistributed foreign earnings. However, should management determine at a later point to repatriate additional foreign earnings, the Company would be required to accrue and pay taxes at that time.
Contractual Obligations: The following summarizes the Company’s significant contractual obligations and commitments that impact its liquidity:

Payments Due by Period					
(Millions of Dollars)	Total	2014	2015 – 2016	2017 – 2018	Thereafter
Long-term debt(a)	$3,912	$8	$9	$983	$2,912
Interest payments on long-term debt(b)	3,776	169	339	335	2,933
Operating leases	336	90	116	67	63
Inventory purchase commitments(c)	673	673	—	—	—
Deferred compensation	22	1	2	1	18
Marketing obligations	59	28	21	8	2
Derivatives (d)	121	—	—	108	13
Pension funding obligations(e)	101	101	—	—	—
Contract adjustment fees (f)	47	16	31	—	—
Total contractual cash obligations	$9,047	$1,086	$518	$1,502	$5,941

(a) Future payments on long-term debt encompass all payments related to aggregate debt maturities, excluding certain fair value adjustments included in long-term debt, as discussed further in Note H, Long-Term Debt and Financing Arrangements.

(b) Future interest payments on long-term debt reflect the applicable fixed interest rate or variable rate for floating rate debt in effect at December 28, 2013.

(c) Inventory purchase commitments primarily consist of open purchase orders to purchase raw materials, components, and sourced products.

(d) Future cash flows on derivative instruments reflect the fair value and accrued interest as of December 28, 2013. The ultimate cash flows on these instruments will differ, perhaps significantly, based on applicable market interest and foreign currency rates at their maturity.

(e) This amount principally represents contributions either required by regulations or laws or, with respect to unfunded plans, necessary to fund current benefits. The Company has not presented estimated pension and post-retirement funding beyond 2014 as funding can vary significantly from year to year based upon changes in the fair value of the plan assets, actuarial assumptions, and curtailment/settlement actions.

(f) Represents future contract adjustment payments to holders of the Company's Equity Purchase Contracts and Purchase Contracts. See Note H, Long-Term Debt and Financing Arrangements for further discussion.

To the extent the Company can reliably determine when payments will occur pertaining to unrecognized tax benefit liabilities, the related amount will be included in the table above. However, due to the high degree of uncertainty regarding the timing of potential future cash flows associated with the $310.9 million of such liabilities at December 28, 2013, the Company is unable to make a reliable estimate of when (if at all) amounts may be paid to the respective taxing authorities.

Aside from debt payments, for which there is no tax benefit associated with repayment of principal, tax obligations and the equity purchase contract fees, payment of the above contractual obligations will typically generate a cash tax benefit such that the net cash outflow will be lower than the gross amounts indicated.

Other Significant Commercial Commitments:

Amount of Commitment Expirations Per Period

(Millions of Dollars)	Total	2014	2015 – 2016	2017 – 2018	Thereafter
U.S. lines of credit	$2,000	$500	$—	$1,500	$—

Short-term borrowings, long-term debt and lines of credit are explained in detail within Note H, Long-Term Debt and Financing Arrangements.

MARKET RISK

Market risk is the potential economic loss that may result from adverse changes in the fair value of financial instruments, currencies, commodities and other items traded in global markets. The Company is exposed to market risk from changes in foreign currency exchange rates, interest rates, stock prices, and commodity prices.

Exposure to foreign currency risk results because the Company, through its global businesses, enters into transactions and makes investments denominated in multiple currencies. The Company's predominant exposures are in European, Canadian, British, Australian, Latin American, and Asian currencies, including the Chinese Renminbi ("RMB") and the Taiwan Dollar. Certain cross-currency trade flows arising from sales and procurement activities as well as affiliate cross-border activity are consolidated and netted prior to obtaining risk protection through the use of various derivative financial instruments which may include: purchased basket options; purchased options; collars, cross currency swaps and currency forwards. The Company is thus able to capitalize on its global positioning by taking advantage of naturally offsetting exposures and portfolio efficiencies to reduce the cost of purchasing derivative protection. At times, the Company also enters into forward exchange contracts and purchased options to reduce the earnings and cash flow impact of non-functional currency denominated receivables and payables, predominately for affiliate transactions. Gains and losses from these hedging instruments offset the gains or losses on the underlying net exposures, assets and liabilities being hedged. Management determines the nature and extent of currency hedging activities, and in certain cases, may elect to allow certain currency exposures to remain un-hedged. The Company has also entered into cross-currency swaps and forward contracts, to provide a partial hedge of the net investments in certain subsidiaries and better match the cash flows of operations to debt service requirements. Management estimates the foreign currency impact from these financial instruments at the end of 2013 would have been approximately a $29 million pre-tax loss based on a hypothetical 10% adverse movement in all net derivative currency positions; this effect would occur from depreciation of the foreign currencies relative to the U.S. dollar. The Company follows risk management policies in executing derivative financial instrument transactions, and does not use such instruments for speculative purposes. The Company does not hedge the translation of its non-U.S. dollar earnings in foreign subsidiaries.

As mentioned above, the Company routinely has cross-border trade and affiliate flows that cause an impact on earnings from foreign exchange rate movements. The Company is also exposed to currency fluctuation volatility from the translation of foreign earnings into U.S. dollars. It is more difficult to quantify the transactional effects from currency fluctuations than the translational effects. Aside from the use of derivative instruments which may be used to mitigate some of the exposure, transactional effects can potentially be influenced by actions the Company may take; for example, if an exposure occurs from a European entity sourcing product from a U.S. supplier it may be possible to change to a European supplier. Management estimates the combined translational and transactional impact, on pre-tax earnings, of a 10% overall movement in exchange rates is approximately $98 million, or approximately $0.48 per diluted share. In 2013, translational and transactional foreign currency fluctuations negatively impacted pre-tax earnings by approximately $60 million and diluted earnings per share by approximately $0.30.

The Company's exposure to interest rate risk results from its outstanding debt and derivative obligations, short-term investments, and derivative financial instruments employed in the management of its debt portfolio. The debt portfolio including both trade and affiliate debt, is managed to achieve capital structure targets and reduce the overall cost of borrowing by using a combination of fixed and floating rate debt as well as interest rate swaps, and cross-currency swaps.

The Company’s primary exposure to interest rate risk comes from its floating rate debt and derivatives in the U.S. and is fairly represented by changes in LIBOR rates. At December 28, 2013, the impact of a hypothetical 10% increase in the interest rates associated with the Company’s floating rate derivative and debt instruments would have an immaterial effect on the Company’s financial position and results of operations.

The Company has exposure to commodity prices in many businesses, particularly brass, nickel, resin, aluminum, copper, zinc, steel, and energy used in the production of finished goods. Generally, commodity price exposures are not hedged with derivative financial instruments, but instead are actively managed through customer product and service pricing actions, procurement-driven cost reduction initiatives and other productivity improvement projects.
Overall, the Company experienced inflation of approximately $53 million, $82 million and $236 million in 2013, 2012 and 2011, respectively. Price erosion has also occurred in 2013 and 2012, in addition to inflation, with a cumulative unfavorable impact of $136 million. The impact of inflation is expected to continue in 2014, with cost and pricing actions being aggressively pursued to offset any adverse impact on operations.
Fluctuations in the fair value of the Company's common stock affect domestic retirement plan expense as discussed in the ESOP section of MD&A. Additionally, the Company has $46 million of liabilities as of December 28, 2013 pertaining to unfunded defined contribution plans for certain U.S. employees for which there is mark-to-market exposure.
The assets held by the Company's defined benefit plans are exposed to fluctuations in the market value of securities, primarily global stocks and fixed-income securities. The funding obligations for these plans would increase in the event of adverse changes in the plan asset values, although such funding would occur over a period of many years. In 2013, 2012 and 2011, there were $102 million, $194 million and $119 million, respectively, in investment returns on pension plan assets. The Company expects funding obligations on its defined benefit plans to be approximately $101 million in 2014. The Company employs diversified asset allocations to help mitigate this risk. Management has worked to minimize this exposure by freezing and terminating defined benefit plans where appropriate.
The Company has access to financial resources and borrowing capabilities around the world. There are no instruments within the debt structure that would accelerate payment requirements due to a change in credit rating.
The Company's existing credit facilities and sources of liquidity, including operating cash flows, are considered more than adequate to conduct business as normal. Accordingly, based on present conditions and past history, management believes it is unlikely that operations will be materially affected by any potential deterioration of the general credit markets that may occur. The Company believes that its strong financial position, operating cash flows, committed long-term credit facilities and borrowing capacity, and ready access to equity markets provide the financial flexibility necessary to continue its record of annual dividend payments, to invest in the routine needs of its businesses, to make strategic acquisitions and to fund other initiatives encompassed by its growth strategy and maintain its strong investment grade credit ratings.
OTHER MATTERS
Employee Stock Ownership Plan As detailed in Note L, Employee Benefit Plans, the Company has an ESOP under which the ongoing U.S. Core and 401(k) defined contribution plans are funded. Overall ESOP expense is affected by the market value of the Company's stock on the monthly dates when shares are released, among other factors. The Company's net ESOP activity resulted in expense of $1.9 million in 2013, $25.9 million in 2012, and $28.4 million in 2011. The decrease in net ESOP expense in 2013 is related to the release of 219,000 shares of unallocated stock triggered by an additional contribution to the ESOP, which was used by the ESOP to make an additional payment on the associated loan as more fully discussed in Note L, Employee Benefit Plans. ESOP expense could increase in the future if the market value of the Company's common stock declines.
CRITICAL ACCOUNTING ESTIMATES — Preparation of the Company's Consolidated Financial Statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Significant accounting policies used in the preparation of the Consolidated Financial Statements are described in Note A, Significant Accounting Policies. Management believes the most complex and sensitive judgments, because of their significance to the Consolidated Financial Statements, result primarily from the need to make estimates about the effects of matters with inherent uncertainty. The most significant areas involving management estimates are described below. Actual results in these areas could differ from management's estimates.
ALLOWANCE FOR DOUBTFUL ACCOUNTS — The Company's estimate for its allowance for doubtful accounts related to trade receivables is based on two methods. The amounts calculated from each of these methods are combined to determine the total amount reserved. First, a specific reserve is established for individual accounts where information indicates the customers may have an inability to meet financial obligations. In these cases, management

uses its judgment, based on the surrounding facts and circumstances, to record a specific reserve for those customers against amounts due to reduce the receivable to the amount expected to be collected. These specific reserves are reevaluated and adjusted as additional information is received. Second, a reserve is determined for all customers based on a range of percentages applied to receivable aging categories. These percentages are based on historical collection and write-off experience.

If circumstances change, for example, due to the occurrence of higher than expected defaults or a significant adverse change in a major customer's ability to meet its financial obligation to the Company, estimates of the recoverability of receivable amounts due could be reduced.

INVENTORIES - LOWER OF COST OR MARKET, SLOW MOVING AND OBSOLETE — Inventories in the U.S. are predominantly valued at the lower of LIFO cost or market, while non-U.S. inventories are valued at the lower of FIFO cost or market. The calculation of LIFO reserves, and therefore the net inventory valuation, is affected by inflation and deflation in inventory components. The Company ensures all inventory is valued at the lower of cost or market, and continually reviews the carrying value of discontinued product lines and stock-keeping-units ("SKUs") to determine that these items are properly valued. The Company also continually evaluates the composition of its inventory and identifies obsolete and/or slow-moving inventories. Inventory items identified as obsolete and/or slow-moving are evaluated to determine if write-downs are required. The Company assesses the ability to dispose of these inventories at a price greater than cost. If it is determined that cost is less than market value, cost is used for inventory valuation. If market value is less than cost, the Company writes down the related inventory to that value. If a write down to the current market value is necessary, the market value cannot be greater than the net realizable value, or ceiling (defined as selling price less costs to sell and dispose), and cannot be lower than the net realizable value less a normal profit margin, also called the floor. If the Company is not able to achieve its expectations regarding net realizable value of inventory at its current value, further write-downs would be recorded.

GOODWILL AND INTANGIBLE ASSETS — The Company acquires businesses in purchase transactions that result in the recognition of goodwill and intangible assets. The determination of the value of intangible assets requires management to make estimates and assumptions. In accordance with ASC 350-20, "Goodwill," acquired goodwill and indefinite-lived intangible assets are not amortized but are subject to impairment testing at least annually and when an event occurs or circumstances change that indicate it is more likely than not an impairment exists. Definite lived intangible assets are amortized and are tested for impairment when appropriate. Goodwill represents costs in excess of fair values assigned to the underlying net assets of acquired businesses. The Company reported $7.565 billion of goodwill, $1.614 billion of indefinite-lived trade names and $1.453 billion of definite-lived intangibles at December 28, 2013.

Management tests goodwill for impairment at the reporting unit level. A reporting unit is an operating segment as defined in ASC 280, "Segment Reporting," or one level below an operating segment (component level) as determined by the availability of discrete financial information that is regularly reviewed by operating segment management or an aggregate of component levels of a operating segment having similar economic characteristics. If the carrying value of a reporting unit (including the value of goodwill) is greater than its fair value, an impairment may exist. An impairment charge would be recorded to the extent that the recorded value of goodwill exceeded the implied fair value.

As required by the Company's policy, goodwill and indefinite-lived trade names were tested for impairment in the third quarter of 2013. The Company adopted ASU 2011-08, "Intangibles - Goodwill and Other (Topic 350): Testing Goodwill for Impairment," for its 2013 goodwill impairment test. ASU 2011-08 permits companies to first assess 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 as a basis for determining whether it is necessary to perform the two-step quantitative goodwill impairment test. Under the two-step quantitative goodwill impairment test, the fair value of the reporting unit is compared to its respective carrying amount including goodwill. If the fair value exceeds the carrying amount, then no impairment exists. If the carrying amount exceeds the fair value, further analysis is performed to assess impairment. Such tests are completed separately with respect to the goodwill of each of the Company's reporting units. Accordingly, the Company applied the qualitative assessment for four of its reporting units, while performing the two-step quantitative test for the remaining two reporting units. Based on the results of the annual 2013 impairment testing, the Company determined that the fair values of each of its reporting units exceeded their respective carrying amounts.

In performing the qualitative assessment, the Company identified and considered the significance of relevant key factors, events, and circumstances that could affect the fair value of each reporting unit. These factors include external factors such as macroeconomic, industry, and market conditions, as well as entity-specific factors, such as actual and planned financial performance. The Company also assessed changes in each reporting unit's fair value and carrying value since the most recent date a fair value measurement was performed. As a result of the qualitative assessments performed, the Company concluded that it is not more-likely-than-not that the fair value of each reporting unit exceeded its respective carrying value and therefore, no additional quantitative impairment testing was performed. With respect to the two-step quantitative tests, the Company assessed the fair value of the two reporting units using a discounted cash flow valuation model, which is consistent with previous goodwill impairment tests. The key assumptions applied to the cash flow projections were discount rates, which ranged from 8.5% to 9.0%, near-term revenue growth rates over the next five years, which ranged from 0% to 6%, and a perpetual growth rate of 3.5%. These assumptions contemplated business, market and overall economic conditions. Management performed sensitivity analyses on the fair values resulting

from the discounted cash flows valuation utilizing more conservative assumptions that reflect reasonably likely future changes in the discount rates and perpetual growth rate in each of the reporting units. The discount rates were increased by 100 basis points with no impairment indicated. The perpetual growth rate was decreased by 150 basis points with no impairment indicated. Based upon the Company's 2013 annual impairment testing analyses, including the consideration of reasonably likely adverse changes in assumptions described above, management believes it is not reasonably likely that an impairment will occur in any of the reporting units over the next twelve months.
The fair values of indefinite-lived trade names were also assessed using a discounted cash flow valuation model. The key assumptions used included discount rates, royalty rates, and perpetual growth rates applied to the projected sales. Based on these quantitative impairment tests, the Company determined that the fair values of the indefinite-lived trade names exceeded their respective carrying amounts.

In the event that the Company’s operating results in the future do not meet current expectations, management, based upon conditions at the time, would consider taking restructuring or other actions as necessary to maximize profitability. Accordingly, the above sensitivity analyses, while a useful tool, should not be used as a sole predictor of impairment. A thorough analysis of all the facts and circumstances existing at that time would need to be performed to determine if recording an impairment loss was appropriate.
DEFINED BENEFIT OBLIGATIONS — The valuation of pension and other postretirement benefits costs and obligations is dependent on various assumptions. These assumptions, which are updated annually, include discount rates, expected return on plan assets, future salary increase rates, and health care cost trend rates. The Company considers current market conditions, including interest rates, to establish these assumptions. Discount rates are developed considering the yields available on high-quality fixed income investments with maturities corresponding to the duration of the related benefit obligations. The Company’s weighted-average discount rates for the United States and international pension plans were 4.50% and 4.00%, respectively, at December 28, 2013.
The Company’s weighted-average discount rate for the United States and international pension plans was 3.75% and 4.00%, respectively at December 29, 2012. As discussed further in Note L, Employee Benefit Plans, the Company develops the expected return on plan assets considering various factors, which include its targeted asset allocation percentages, historic returns, and expected future returns. The Company’s expected rate of return assumption for the United States and international pension plans were 6.25% and 6.00%, respectively, at December 28, 2013. The Company will use a 6.50% weighted-average expected rate of return assumption to determine the 2014 net periodic benefit cost. A 25 basis point reduction in the expected rate of return assumption would increase 2014 net periodic benefit cost by approximately $5 million, pre-tax.
The Company believes that the assumptions used are appropriate; however, differences in actual experience or changes in the assumptions may materially affect the Company’s financial position or results of operations. To the extent that actual (newly measured) results differ from the actuarial assumptions, the difference is recognized in accumulated other comprehensive income, and, if in excess of a specified corridor, amortized over future periods. The expected return on plan assets is determined using the expected rate of return and the fair value of plan assets. Accordingly, market fluctuations in the fair value of plan assets can affect the net periodic benefit cost in the following year. The projected benefit obligation for defined benefit plans exceeded the fair value of plan assets by $780 million at December 28, 2013. A 25 basis point reduction in the discount rate would have increased the projected benefit obligation by approximately $91 million at December 28, 2013. The primary Black & Decker U.S pension and post employment benefit plans were curtailed in late 2010, as well as the only material Black & Decker international plan, and in their place the Company implemented defined contribution benefit plans. The vast majority of the projected benefit obligation pertains to plans that have been frozen; the remaining defined benefit plans that are not frozen are predominantly small domestic union plans and those that are statutorily mandated in certain international jurisdictions. The Company recognized $27 million of defined benefit plan expense in 2013, which may fluctuate in future years depending upon various factors including future discount rates and actual returns on plan assets.
ENVIRONMENTAL — The Company incurs costs related to environmental issues as a result of various laws and regulations governing current operations as well as the remediation of previously contaminated sites. Future laws and regulations are expected to be increasingly stringent and will likely increase the Company’s expenditures related to

environmental matters.
The Company's policy is to accrue environmental investigatory and remediation costs for identified sites when it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. The amount of liability recorded is based on an evaluation of currently available facts with respect to each individual site and includes such factors as existing technology, presently enacted laws and regulations, and prior experience in remediation of contaminated sites. The liabilities recorded do not take into account any claims for recoveries from insurance or third parties. As assessments and remediation progress at individual sites, the amounts recorded are reviewed periodically and adjusted to reflect additional technical and legal information that becomes available.

As of December 28, 2013, the Company had reserves of $184 million for remediation activities associated with Company-owned properties as well as for Superfund sites, for losses that are probable and estimable. The range of environmental remediation costs that is reasonably possible is $138 million to $274 million which is subject to change in the near term. The Company may be liable for environmental remediation of sites it no longer owns. Liabilities have been recorded on those sites in accordance with this policy.

INCOME TAXES — Income taxes are accounted for in accordance with ASC 740, "Accounting for Income Taxes," which requires that deferred tax assets and liabilities be recognized, using enacted tax rates, for the effect of temporary differences between the book and tax bases of recorded assets and liabilities. Deferred tax assets, including net operating losses and capital losses, are reduced by a valuation allowance if it is “more likely than not” that some portion or all of the deferred tax assets will not be realized.

In assessing the need for a valuation allowance, the Company considers all positive and negative evidence including; estimates of future taxable income, considering the feasibility of ongoing tax planning strategies, the realizability of tax loss carry-forwards and the future reversal of existing temporary differences. Valuation allowances related to deferred tax assets can be impacted by changes to tax laws, changes to statutory tax rates and future taxable income levels. In the event the Company were to determine that it would not be able to realize all or a portion of its deferred tax assets in the future, the unrealizable amount would be charged to earnings in the period in which that determination is made. By contrast, if the Company were to determine that it would be able to realize deferred tax assets in the future in excess of the net carrying amounts, it would decrease the recorded valuation allowance through a favorable adjustment to earnings in the period in which that determination is made.

The company is subject to tax in a number of locations, including many state and foreign jurisdictions. Significant judgment is required when calculating its worldwide provision for income taxes. The Company considers many factors when evaluating and estimating its tax positions and tax benefits, which may require periodic adjustments and which may not accurately anticipate actual outcomes. It is reasonably possible that the amount of the unrecognized benefit with respect to certain of the Company's unrecognized tax positions will significantly increase or decrease within the next 12 months. These changes may be the result of settlement of ongoing audits or final decisions in transfer pricing matters. The Company periodically assesses its liabilities and contingencies for all tax years still subject to audit based on the most current available information, which involves inherent uncertainty. For those tax positions where it is more likely than not that a tax benefit will be sustained, the Company has recorded the largest amount of tax benefit with a greater than 50% likelihood of being realized upon ultimate settlement with a taxing authority under the premise that the taxing authority has full knowledge of all relevant information. For those income tax positions where it is not more likely than not that a tax benefit will be sustained, no tax benefit has been recognized in the financial statements. The Company recognizes interest and penalties associated with uncertain tax positions as a component of income taxes in the Consolidated Statement of Operations. See Note Q, Income Taxes, in the Notes to Consolidated Financial Statements for further discussion.

RISK INSURANCE — To manage its insurance costs efficiently, the Company self insures for certain U.S. business exposures and generally has low deductible plans internationally. For domestic workers’ compensation, automobile and product liability (liability for alleged injuries associated with the Company’s products), the Company generally purchases outside insurance coverage only for severe losses (“stop loss” insurance) and these lines of insurance involve the most significant accounting estimates. While different stop loss deductibles exist for each of these lines of insurance, the maximum stop loss deductible is set at no more than $5 million per occurrence and $40 million in the aggregate per annum. The process of establishing risk insurance reserves includes consideration of actuarial valuations that reflect the Company’s specific loss history, actual claims reported, and industry trends among statistical and other factors to estimate the range of reserves required. Risk insurance reserves are comprised of specific reserves for individual claims and additional amounts expected for development of these claims, as well as for incurred but not yet reported claims discounted to present value. The cash outflows related to risk insurance claims are expected to occur over a maximum of 13 years. The Company believes the liabilities recorded for these U.S. risk insurance reserves, totaling $105 million and $106 million as of December 28, 2013, and December 29, 2012, respectively, are adequate. Due to judgments inherent in the reserve estimation process it is possible the ultimate costs will differ from this estimate.

WARRANTY — The Company provides product and service warranties which vary across its businesses. The types of warranties offered generally range from one year to limited lifetime, while certain products carry no warranty. Further, the Company sometimes incurs discretionary costs to service its products in connection with product performance issues. Historical warranty and service claim experience forms the basis for warranty obligations recognized. Adjustments are recorded to the warranty liability as new information becomes available. The Company believes the $122 million reserve for expected warranty claims as of December 28, 2013 is adequate, but due to judgments inherent in the reserve estimation process, including forecasting future product reliability levels and costs of repair as well as the estimated age of certain products submitted for claims, the ultimate claim costs may differ from the recorded warranty liability. The Company also establishes a reserve for product recalls on a product-specific basis during the period in which the circumstances giving rise to the recall become known and estimable for both company initiated actions and those required by regulatory bodies.

OFF-BALANCE SHEET ARRANGEMENT

SYNTHETIC LEASES — The Company is a party to synthetic leasing programs for one of its major distribution centers and certain U.S. personal property, predominately vehicles and equipment. The programs qualify as operating leases for accounting purposes, such that only the monthly rent expense is recorded in the Statement of Operations and the liability and value of the underlying assets are off-balance sheet.

These lease programs are utilized primarily to reduce overall cost and to retain flexibility. The cash outflows for lease payments approximate the $1 million of rent expense recognized in fiscal 2013. As of December 28, 2013 the estimated fair value of assets and remaining obligations for these properties were $31 million and $26 million, respectively.

CAUTIONARY STATEMENTS UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

Certain statements contained in this Annual Report on form 10-K that are not historical, including but not limited to those regarding the Company’s ability to: (i) achieve full year 2014 diluted EPS of $5.30 - $5.50 ($5.18 - $5.38 on a GAAP basis); (ii) deliver organic growth of approximately 4% in 2014; (iii) generate approximately $675 million of free cash flow for 2014 which includes approximately $250 million of merger and acquisition-related payments; and (iv) deliver approximately $850 million of incremental revenue over the three year period ending in 2015 (collectively, the “Results”); are “forward looking statements” and subject to risk and uncertainty.

The Company’s ability to deliver the Results as described above is based on current expectations and involves inherent risks and uncertainties, including factors listed below and other factors that could delay, divert, or change any of them, and could cause actual outcomes and results to differ materially from current expectations. In addition to the risks, uncertainties and other factors discussed elsewhere herein, the risks, uncertainties and other factors that could cause or contribute to actual results differing materially from those expressed or implied in the forward looking statements include, without limitation, those set forth under Item 1A Risk Factors hereto and any material changes thereto set forth in any subsequent Quarterly Reports on Form 10-Q, or those contained in the Company’s other filings with the Securities and Exchange Commission, and those set forth below.

The Company’s ability to deliver the Results is dependent, or based, upon: (i) the Company’s ability to execute its integration plans and achieve synergies primarily from the Infastech acquisition sufficient to generate $0.10 of EPS accretion in 2014; (ii) the Company’s ability to generate organic net sales increases of approximately 4% in 2014; (iii) the Company’s ability to continue to identify and execute upon sales opportunities to increase its CDIY, IAR and Security businesses in the emerging markets while minimizing associated costs; (iv) the Company’s ability to achieve a tax rate of approximately 21-22% in 2014; (v) the Company’s ability to limit the increase in interest and other expense to approximately $0.10-$0.15 of EPS in 2014; (vi) the Company’s ability to improve margins in the Security business by at least 150 basis points in 2014; (vii) the Company’s ability to generate approximately $0.20 of EPS accretion in 2014 through cost reductions in its CDIY and Industrial segments and its corporate functions; (viii) the Company’s ability to limit one-time charges primarily associated with the Infastech acquisition to $25 million in 2014; (ix) successful integration of acquisitions completed in 2012 and 2013, as well as integration of existing businesses; (x) the continued acceptance of technologies used in the Company’s products and services; (xi) the Company’s ability to manage existing Sonitrol franchisee and Mac Tools relationships; (xii) the Company’s ability to minimize costs associated with any sale or discontinuance of a business or product line, including any severance, restructuring, legal or other costs; (xiii) the proceeds realized with respect to any business or product line disposals; (xiv) the extent of any asset impairments with respect to any businesses or product lines that are sold or discontinued; (xv) the success of the Company’s efforts to manage freight costs, steel and other commodity costs as well as capital expenditures; (xvi) the Company’s ability to sustain or increase prices in order to, among other things, offset or mitigate the impact of steel, freight, energy, non-ferrous commodity and other commodity costs and any inflation increases; (xvii) the Company’s ability to generate free cash flow and maintain a strong debt to capital ratio; (xviii) the Company’s ability to identify and effectively execute productivity improvements and cost reductions, while minimizing any associated restructuring charges; (xix) the Company’s ability to obtain favorable settlement of tax audits; (xx) the ability of the Company to generate earnings sufficient to realize future income tax benefits during periods when temporary differences become deductible; (xxi) the continued ability of the Company to access credit markets under satisfactory terms; (xxii) the Company’s ability to negotiate satisfactory payment terms under which the Company buys and sells goods, services, materials and products; (xxiii) the Company’s ability to successfully develop, market and achieve sales from new products and services; and (xxiv) the availability of cash to repurchase shares when conditions are right.

The Company’s ability to deliver the Results is also dependent upon: (i) the success of the Company’s marketing and sales efforts, including the ability to develop and market new and innovative products in both existing and new markets; (ii) the ability of the Company to maintain or improve production rates in the Company’s manufacturing facilities, respond to significant changes in product demand and fulfill demand for new and existing products; (iii) the Company’s ability to continue improvements in working capital through effective management of accounts receivable and inventory levels; (iv) the ability to continue successfully managing and defending claims and litigation; (v) the success of the Company’s efforts to mitigate any cost increases generated by, for example, increases in the cost of energy or significant Chinese Renminbi or other currency appreciation; (vi) the geographic distribution of the Company’s earnings; (vii) the commitment to and success of the Stanley Fulfillment System; and (viii) successful implementation with expected results of cost reduction programs.

The Company’s ability to achieve the Results will also be affected by external factors. These external factors include: challenging global macroeconomic environment; the continued economic growth of emerging markets, particularly Latin America; pricing pressure and other changes within competitive markets; the continued consolidation of customers particularly in consumer channels; inventory management pressures on the Company’s customers; the impact the tightened credit markets may have on the Company or its customers or suppliers; the extent to which the Company has to write off accounts receivable or assets or experiences supply chain disruptions in connection with bankruptcy filings by customers or suppliers; increasing competition; changes in laws, regulations and policies that affect the Company, including, but not limited to trade, monetary, tax and fiscal policies and laws; the timing and extent of any inflation or deflation; currency exchange fluctuations; the impact of dollar/foreign currency exchange and interest rates on the competitiveness of products and the Company’s debt program; the strength of the U.S. and European economies; the extent to which world-wide markets associated with homebuilding and remodeling stabilize and rebound; the impact of events that cause or may cause disruption in the Company’s supply, manufacturing, distribution and sales networks such as war, terrorist activities, and political unrest; and recessionary or expansive trends in the economies of the world in which the Company operates. The Company undertakes no obligation to publicly update or revise any forward-looking statements to reflect events or circumstances that may arise after the date hereof.

Unless required by applicable federal securities laws, the Company undertakes no obligation to publicly update or revise any forward looking statements to reflect events or circumstances that may arise after the date hereof. Investors are advised, however, to consult any further disclosures made on related subjects in the Company's reports filed with the Securities and Exchange Commission.

In addition to the foregoing, some of the agreements included as exhibits to this Annual Report on Form 10-K (whether incorporated by reference to earlier filings or otherwise) may contain representations and warranties, recitals or other statements that appear to be statements of fact. These agreements are included solely to provide investors with information regarding their terms and are not intended to provide any other factual or disclosure information about the Company or the other parties to the agreements. Representations and warranties, recitals, and other common disclosure provisions have been included in the agreements solely for the benefit of the other parties to the applicable agreements and often are used as a means of allocating risk among the parties.

Accordingly, such statements (i) should not be treated as categorical statements of fact; (ii) may be qualified by disclosures that were made to the other parties in connection with the negotiation of the applicable agreements, which disclosures are not necessarily reflected in the agreement or included as exhibits hereto; (iii) may apply standards of materiality in a way that is different from what may be viewed as material by or to investors in or lenders to the Company; and (iv) were made only as of the date of the applicable agreement or such other date or dates as may be specified in the agreement and are subject to more recent developments. Accordingly, representations and warranties, recitals or other disclosures contained in agreements may not describe the actual state of affairs as of the date they were made or at any other time and should not be relied on by any person other than the parties thereto in accordance with their terms. Additional information about the Company may be found in this Annual Report on Form 10-K and the Company's other public filings, which are available without charge through the SEC's website at http://www.sec.gov.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company incorporates by reference the material captioned “Market Risk” in Item 7 and in Note I, Derivative Financial Instruments, of the Notes to Consolidated Financial Statements in Item 8.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

See Item 15 for an index to Financial Statements and Financial Statement Schedules. Such Financial Statements and Financial Statement Schedules are incorporated herein by reference.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

The management of Stanley Black & Decker (the “Company”) is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with accounting principles generally accepted in the United States of America. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements.

In February 2013, Stanley Black & Decker acquired Infastech for $826 million, net of cash acquired. Since Stanley Black & Decker has not yet fully incorporated the internal controls and procedures of Infastech into Stanley Black & Decker’s internal control over financial reporting, management excluded this business from its assessment of the effectiveness of internal control over financial reporting as of December 28, 2013. Infastech accounted for $1,430 million and $1,191 million of Stanley Black & Decker’s total assets and net assets, respectively, as of December 28, 2013 and $443 million and $30 million of revenue and net income, respectively, for the year then ended.

Management has assessed the effectiveness of the Company’s internal control over financial reporting as of December 28, 2013, with the exception of the previously mentioned Infastech acquisition. In making its assessment, management has utilized the criteria set forth by the Committee of Sponsoring Organizations (COSO) of the Treadway Commission in Internal Control — Integrated Framework (1992 Framework). Management concluded that based on its assessment, the Company’s internal control over financial reporting was effective as of December 28, 2013. Ernst & Young LLP, the auditor of the financial statements included in this annual report, has issued an attestation report on the registrant’s internal control over financial reporting, a copy of which appears on page 53.

Under the supervision and with the participation of management, including the Company’s Chairman and Chief Executive Officer and its Senior Vice President and Chief Financial Officer, the Company has, pursuant to Rule 13a-15(b) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), evaluated the effectiveness of the design and operation of its disclosure controls and procedures (as defined under Rule 13a-15(e) of the Exchange Act). Based upon that evaluation, the Company’s Chairman and Chief Executive Officer and its Senior Vice President and Chief Financial Officer have concluded that, as of December 28, 2013, the Company’s disclosure controls and procedures are effective. There has been no change in the Company’s internal control over financial reporting that occurred during the fiscal year ended December 28, 2013 that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting aside from the previously mentioned acquisition of Infastech. As part of its ongoing integration activities, the Company will complete an assessment of existing controls and incorporate its controls and procedures into Infastech.

ITEM 9B. OTHER INFORMATION

None

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE OF THE REGISTRANT

The information required by this Item, except for certain information with respect to the Company's Code of Ethics, the identification of the executive officers of the Company and any material changes to the procedures by which security holders may recommend nominees to the Company's Board of Directors, as set forth below, is incorporated herein by reference to the information set forth in the section of the Company's definitive proxy statement (which will be filed pursuant to Regulation 14A under the Exchange Act within 120 days after the close of the Company's fiscal year) under the headings "Information Concerning Nominees for Election as Directors," "Board of Directors," and "Section 16(a) — Beneficial Ownership Reporting Compliance."

In addition to Business Conduct Guidelines that apply to all directors and employees of the Company, the Company has adopted a Code of Ethics that applies to the Company's Chief Executive Officer and all senior financial officers, including the Chief Financial Officer and principal accounting officer. A copy of the Company's Code of Ethics is available on the Company's website at www.stanleyblackanddecker.com.

The following is a list of the executive officers of the Company as of February 20, 2014:

Name and Age	Office	Date Elected to Office
John F. Lundgren (62)	Chairman and Chief Executive Officer. Has served as Chief Executive Officer since March 1, 2004 and Chairman from March 1, 2004 through March 12, 2010 and again from March 13, 2013 to present. Served as President and Chief Executive Officer from March 12, 2010 through January 13, 2013.	3/1/2004
James M. Loree (55)	President & Chief Operating Officer since January 2013. Executive Vice President and Chief Operating Officer (2007); Executive Vice President Finance and Chief Financial Officer (1999).	7/19/1999
Donald Allan, Jr. (49)	Senior Vice President & Chief Financial Officer since March 2010. Vice President & Chief Financial Officer (2009); Vice President & Corporate Controller (2002); Corporate Controller (2000); Assistant Controller (1999).	10/24/2006
Jeffery D. Ansell (46)	Senior Vice President and Group Executive, Construction and DIY since March 2010. Vice President & President, Stanley Consumer Tools Group; President – Consumer Tools and Storage (2004); President of Industrial Tools & Storage (2002); Vice President – Global Consumer Tools Marketing (2001); Vice President Consumer Sales America (1999).	2/22/2006
Michael A. Bartone (54)	Vice President, Corporate Tax since January 2002.	7/17/2009
Bruce H. Beatt (61)	Senior Vice President, General Counsel and Secretary since March 2010. Vice President, General Counsel and Secretary (2000).	10/9/2000
D. Brett Bontrager (51)	Senior Vice President and Group Executive, Stanley Security Solutions since 2011. Senior Vice President and Group Executive, Stanley Convergent Solutions (2010). President, Convergent Security Solutions and Vice President, Business Development (2007); Vice President, Business Development (2004); Director, Business	8/1/2008

	Development (2003).	
Craig A. Douglas (59)	Vice President & Treasurer since January 2002.	7/17/2009
Rhonda O. Gass (50)	Vice President & Chief Information Officer since October 2012.	10/11/2012

Massimo Grassi (52)	President, Stanley Security - Europe since April 2013. President, Stanley Security Solutions Europe and Executive Director Industrial & Automotive Repair (2012); President, Industrial & Automotive Repair (2009); President, Stanley Europe and President Directeur General, Facom (2007).	3/12/2010
Jaime Ramirez (46)	Senior Vice President & President, Global Emerging Markets, since October 2012. President, Construction & DIY, Latin America (2010); Vice President and General Manager – Latin America, Power Tools & Accessories, The Black & Decker Corporation (2008); Vice President and General Manager – Andean Region The Black & Decker Corporation (2007).	3/12/2010
Ben S. Sihota (55)	President, Emerging Markets Group since March 2010. Vice President and President-Asia/Pacific, Power Tools & Accessories, The Black & Decker Corporation (2006); President-Asia, Power Tools & Accessories, The Black & Decker Corporation (2000).	3/12/2010
Steven J. Stafstrom (55)	Vice President, Operations, CDIY & Emerging Markets since December 2012. Vice President Global Operations, CDIY (2010); Vice President, Operations, Consumer Tools & Storage (2005).	12/6/2012
William S. Taylor (58)	President, Fastening & Accessories since July 2012. President, Professional Power Tools & Products (2010); Vice President-Global Product Development of the Industrial Products Group, The Black & Decker Corporation (2009); Vice President-Industrial Products Group Product Development, The Black & Decker Corporation (2008); Vice President/General Manager Industrial Accessories Business, The Black & Decker Corporation (2008); Vice President and General Manager Woodworking Tools, The Black & Decker Corporation (2005).	3/12/2010
Michael A. Tyll (57)	President, Engineered Fastening since March 2010. Group Vice President and President, Fastening and Assembly Systems, The Black & Decker Corporation (2006); President, Automotive Division, The Black & Decker Corporation (2001).	3/12/2010
Joseph Voelker (58)	Senior Vice President, Human Resources, since April 1, 2013. VP Human Resources (2009); VP Human Resources - ITG/Corporate Staff (2006); VP Human Resources - Tools Group/Operations (2004); HR Director, Tools Group (2003); HR Director, Operations (1999).	4/1/2013
John H. Wyatt (55)	President, Construction & DIY, Europe and ANZ since October 2012. President, Construction & DIY, EMEA (2010); President-Europe, Middle East, and Africa, Power Tools and Accessories, The Black & Decker Corporation (2008); Vice President-Consumer Products (Europe, Middle East and Africa), The Black & Decker Corporation (2006).	3/12/2010

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item is incorporated herein by reference to the information set forth under the section entitled “Executive Compensation” of the Company’s definitive proxy statement, which will be filed pursuant to Regulation 14A under the Exchange Act within 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by Item 403 of Regulation S-K, is incorporated herein by reference to the information set forth under the sections entitled “Security Ownership of Certain Beneficial Owners”, “Security Ownership of Directors and Officers”, and “Executive Compensation”, of the Company’s definitive proxy statement, which will be filed pursuant to Regulation 14A under the Exchange Act within 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K.

EQUITY COMPENSATION PLAN INFORMATION

Compensation plans under which the Company’s equity securities are authorized for issuance at December 28, 2013 follow:

Plan Category	(A) Number of securities to be issued upon exercise of outstanding options and stock awards		(B) Weighted-average exercise price of outstanding options		(C) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (A))	
Equity compensation plans approved by security holders	10,231,683	(1)	$ 61.69	(2)	16,193,265	(3)
Equity compensation plans not approved by security holders (4)	—		—		—	
Total	10,231,683		$ 61.69		16,193,265	(3)

(1) Consists of 7,429,262 shares underlying outstanding stock options (whether vested or unvested) with a weighted average exercise price of $61.69 and a weighted average term of 6.17 years; 2,603,318 shares underlying time-vesting restricted stock units that have not yet vested and the maximum number of shares that will be issued pursuant to outstanding long term performance awards if all established goals are met; and 199,103 of shares earned but related to which participants elected deferral of delivery. All stock-based compensation plans are discussed in Note J, Capital Stock, of the Notes to Consolidated Financial Statements in Item 8.

(2) There is no cost to the recipient for shares issued pursuant to time-vesting restricted stock units or long term performance awards. Because there is no strike price applicable to these stock awards they are excluded from the weighted-average exercise price which pertains solely to outstanding stock options.

(3) Consists of 2,414,509 of shares available for purchase under the employee stock purchase plan ("ESPP") at the election of employees and 13,778,756 securities available for future grants by the board of directors under stock-based compensation plans.

(4) U.S. employees are eligible to contribute from 1% to 25% of their salary to a qualified tax deferred savings plan as described in the Employee Stock Ownership Plan ("ESOP") section of Item 8 Note L, Employee Benefit Plans, to the Consolidated Financial Statements of this Form 10-K. The Company contributes an amount equal to one half of the employee contribution up to the first 7% of salary. There is a non-qualified tax deferred savings plan for

highly compensated salaried employees which mirrors the qualified plan provisions, but was not specifically approved by security holders. Eligible highly compensated salaried U.S. employees are eligible to contribute from 1% to 50% of their salary to the non-qualified tax deferred savings plan. The same matching arrangement was provided for highly compensated salaried employees in the non-qualified plan, to the extent the match was not fully met in the qualified plan, except that the arrangement for these employees is outside of the ESOP, and is not funded in advance of distributions. For both qualified and non-qualified plans, the investment of the employee's contribution and the Company's contribution is controlled by the employee and may include an election to invest in Company stock. Shares of the Company's common stock may be issued at the time of a distribution from the qualified plan. The number of securities remaining available for issuance under the plans at December 28, 2013 is not determinable, since the plans do not authorize a maximum number of securities.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by Items 404 and 407(a) of Regulation S-K is incorporated by reference to the information set forth under the section entitled "Board of Directors — Related Party Transactions" of the Company's definitive proxy statement, which will be filed pursuant to Regulation 14A under the Exchange Act within 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by Item 9(e) of Schedule 14A is incorporated herein by reference to the information set forth under the section entitled "Fees of Independent Auditors" of the Company's definitive proxy statement, which will be filed pursuant to Regulation 14A under the Exchange Act within 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) Index to documents filed as part of this report:

1. and 2. Financial Statements and Financial Statement Schedules.

The response to this portion of Item 15 is submitted as a separate section of this report beginning with an index thereto on page 49.

3. Exhibits

See Exhibit Index in this Form 10-K on page 107.

(b) See Exhibit Index in this Form 10-K on page 107.

(c) The response in this portion of Item 15 is submitted as a separate section of this Form 10-K with an index thereto beginning on page 49.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

STANLEY BLACK & DECKER, INC.

By: /s/ John F. Lundgren
John F. Lundgren, Chairman and Chief Executive Officer

Date: February 20, 2014

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Company and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ John F. Lundgren John F. Lundgren	Chairman and Chief Executive Officer	February 20, 2014
/s/ Donald Allan, Jr. Donald Allan, Jr.	Senior Vice President and Chief Financial Officer	February 20, 2014
/s/ Jocelyn S. Belisle Jocelyn S. Belisle	Chief Accounting Officer	February 20, 2014
* George W. Buckley	Director	February 20, 2014
* Patrick D. Campbell	Director	February 20, 2014
* Carlos M. Cardoso	Director	February 20, 2014
* Robert B. Coutts	Director	February 20, 2014
* Debra A. Crew	Director	February 20, 2014
* Benjamin H. Griswold, IV	Director	February 20, 2014
* Anthony Luiso	Director	February 20, 2014
* Marianne M. Parrs	Director	February 20, 2014
* Robert L. Ryan	Director	February 20, 2014

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*By: /s/ Bruce H. Beatt
Bruce H. Beatt
(As Attorney-in-Fact)

FORM 10-K
ITEM 15(a) (1) AND (2)
STANLEY BLACK & DECKER, INC. AND SUBSIDIARIES
INDEX TO FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULE

All other schedules are omitted because either they are not applicable or the required information is shown in the financial statements or the notes thereto.

Schedule II — Valuation and Qualifying Accounts
Stanley Black & Decker, Inc. and Subsidiaries
Fiscal years ended December 28, 2013, December 29, 2012, and December 31, 2011
(Millions of Dollars)

		ADDITIONS			
	Beginning Balance	Charged to Costs and Expenses	Charged To Other Accounts(b)	(a) Deductions	Ending Balance
Allowance for Doubtful Accounts:					
Year Ended 2013	$65.8	$13.7	$4.5	$(13.7)	$70.3
Year Ended 2012	$53.3	$11.1	$20.2	$(18.8)	$65.8
Year Ended 2011	$53.6	$15.1	$5.6	$(21.0)	$53.3
Tax Valuation Allowance:					
Year Ended 2013 (c)	$545.2	$4.4	$15.0	$(13.9)	$550.7
Year Ended 2012	$298.6	$308.4	$(6.8)	$(55.0)	$545.2
Year Ended 2011	$257.5	$73.5	$2.5	$(34.9)	$298.6

(a) With respect to the allowance for doubtful accounts, deductions represent amounts charged-off less recoveries of accounts previously charged-off.
(b) Amounts represent the impact of foreign currency translation, acquisitions and net transfers to/from other accounts.
(c) Refer to Note Q, Income Taxes, of the Notes to Consolidated Financial Statements in Item 8 for further discussion.
The prior year amounts in the table above have been recast to exclude the amounts relating to businesses classified as discontinued operations. Refer to Note T, Discontinued Operations, of the Notes to Consolidated Financial Statements in Item 8 for further discussion.

MANAGEMENT’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of Stanley Black & Decker, Inc. is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with accounting principles generally accepted in the United States of America. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements.

In February 2013, Stanley Black & Decker acquired Infastech for $826.4 million. Since Stanley Black & Decker has not yet fully incorporated the internal controls and procedures of Infastech into Stanley Black & Decker's internal control over financial reporting, management excluded this business from its assessment of the effectiveness of internal control over financial reporting as of December 28, 2013. Infastech accounted for $1,430 million and $1,191 million of Stanley Black & Decker's total assets and net assets, respectively, as of December 28, 2013 and $443 million and $30 million of revenue and net income, respectively, for the year then ended.

Management has assessed the effectiveness of Stanley Black & Decker Inc.’s internal control over financial reporting as of December 28, 2013, with the exception of the aforementioned Infastech acquisition. In making its assessment, management has utilized the criteria set forth by the Committee of Sponsoring Organizations (COSO) of the Treadway Commission in Internal Control — Integrated Framework (1992 Framework). Management concluded that based on its assessment, Stanley Black & Decker, Inc.’s internal control over financial reporting was effective as of December 28, 2013. Ernst & Young LLP, Registered Public Accounting Firm included in this annual report, has issued an attestation report on the registrant’s internal control over financial reporting, a copy of which appears on page 53.

/s/ John F. Lundgren
John F. Lundgren, Chairman and Chief Executive Officer

/s/ Donald Allan Jr.
Donald Allan Jr., Senior Vice President and Chief Financial Officer

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of Stanley Black & Decker, Inc.
We have audited the accompanying consolidated balance sheets of Stanley Black & Decker, Inc. and subsidiaries (the "Company") as of December 28, 2013 and December 29, 2012, and the related consolidated statements of operations, comprehensive income, cash flows and shareowners' equity for each of the three fiscal years in the period ended December 28, 2013. Our audits also included the financial statement schedule listed in the Index at Item 15. These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.
We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.
In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company, at December 28, 2013 and December 29, 2012, and the consolidated results of their operations and their cash flows for each of the three fiscal years in the period ended December 28, 2013, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.
We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 28, 2013, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework) and our report dated February 20, 2014 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP
Hartford, Connecticut
February 20, 2014

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of Stanley Black & Decker, Inc.

We have audited Stanley Black & Decker, Inc.'s and subsidiaries (the "Company's") internal control over financial reporting as of December 28, 2013, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework) (the COSO criteria). The Company's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As indicated in the accompanying Management's Report on Internal Control over Financial Reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of Infastech, which is included in the December 28, 2013 consolidated financial statements of Stanley Black & Decker, Inc. and subsidiaries and constituted $1,430 million and $1,191 million of total and net assets, respectively, as of December 28, 2013 and $443 million and $30 million of revenues and net income, respectively, for the fiscal year then ended. Our audit of internal control over financial reporting of Stanley Black & Decker, Inc. and subsidiaries also did not include an evaluation of the internal control over financial reporting of Infastech.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 28, 2013, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of the Company as of December 28, 2013 and December 29, 2012, and the related consolidated statements of operations, comprehensive income, cash flows and shareowners' equity for each of the three fiscal years in the period ended December 28, 2013 of the Company and our report dated February 20, 2014 expressed an unqualified opinion thereon.

/s/ Ernst &Young, LLP
Hartford, Connecticut

February 20, 2014

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Consolidated Statements of Operations
Fiscal years ended December 28, 2013, December 29, 2012, and December 31, 2011
(In Millions of Dollars, Except Per Share Amounts)

	2013	2012	2011
Net Sales	$11,001.2	$10,147.9	$9,376.5
Costs and Expenses			
Cost of sales	$7,068.3	$6,452.4	$5,925.7
Selling, general and administrative	2,700.9	2,488.8	2,342.4
Provision for doubtful accounts	13.7	11.1	15.1
Other-net	287.4	299.8	254.3
Restructuring charges and asset impairments	176.1	174.0	66.2
Loss on debt extinguishment	20.6	45.5	—
Interest income	(12.8)	(10.1)	(26.5)
Interest expense	160.4	144.2	140.4
	$10,414.6	$9,605.7	$8,717.6
Earnings from continuing operations before income taxes	586.6	542.2	658.9
Income taxes on continuing operations	69.3	78.2	52.3
Earnings from continuing operations	$517.3	$464.0	$606.6
Less: Net loss attributable to non-controlling interests	(1.0)	(0.8)	(0.1)
Net earnings from continuing operations attributable to common shareowners	$518.3	$464.8	$606.7
(Loss) earnings from discontinued operations before income taxes (including pretax gain on HHI sale of $384.7 million in 2012)	(42.0)	488.8	104.4
Income tax (benefit) expense on discontinued operations (including income taxes associated with the gain on HHI sale of $25.8 million in 2012)	(14.0)	69.8	36.5
Net (loss) earnings from discontinued operations	$(28.0)	$419.0	$67.9
Net Earnings Attributable to Common Shareowners	$490.3	$883.8	$674.6
Basic earnings (loss) per share of common stock:			
Continuing operations	$3.34	$2.85	$3.65
Discontinued operations	(0.18)	2.57	0.41
Total basic earnings per share of common stock	$3.16	$5.41	$4.06
Diluted earnings (loss) per share of common stock:			
Continuing operations	$3.26	$2.79	$3.57
Discontinued operations	(0.18)	2.51	0.40
Total diluted earnings per share of common stock	$3.09	$5.30	$3.97

See Notes to Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income
Fiscal years ended December 28, 2013, December 29, 2012, and December 31, 2011
(In Millions of Dollars)

	2013	2012	2011
Net earnings	$490.3	$883.8	$674.6
Other comprehensive (loss) income :			
Currency translation adjustment and other	(99.9)	116.8	(116.5)
Unrealized gains (losses) on cash flow hedges, net of tax	16.2	(17.6)	(25.7)
Unrealized losses on net investment hedges, net of tax	(13.5)	(30.5)	(0.1)
Pension losses, net of tax	(13.8)	(107.5)	(90.6)
Other comprehensive loss	$(111.0)	$(38.8)	$(232.9)
Comprehensive income attributable to common shareowners	$379.3	$845.0	$441.7

See Notes to Consolidated Financial Statements.

Consolidated Balance Sheets
December 28, 2013 and December 29, 2012
(Millions of Dollars)

	2013	2012
Assets		
Current Assets		
Cash and cash equivalents	$496.2	$716.0
Accounts and notes receivable, net	1,633.0	1,525.8
Inventories, net	1,485.2	1,304.6
Prepaid expenses	171.0	199.1
Assets held for sale	10.1	171.7
Other current assets	173.2	194.1
Total Current Assets	3,968.7	4,111.3
Property, Plant and Equipment, net	1,485.3	1,329.9
Goodwill	7,565.3	7,015.5
Customer Relationships, net	1,194.2	1,077.6
Trade Names, net	1,703.3	1,680.9
Other Intangible Assets, net	170.1	173.0
Other Assets	448.2	455.8
Total Assets	$16,535.1	$15,844.0
Liabilities and Shareowners’ Equity		
Current Liabilities		
Short-term borrowings	$392.7	$1.1
Current maturities of long-term debt	9.9	10.4
Accounts payable	1,575.9	1,345.9
Accrued expenses	1,236.2	1,680.0
Liabilities held for sale	6.3	37.3
Total Current Liabilities	3,221.0	3,074.7
Long-Term Debt	3,799.4	3,526.5
Deferred Taxes	914.4	946.0
Post-retirement Benefits	744.2	816.1
Other Liabilities	975.6	753.6
Commitments and Contingencies (Notes R and S)	—	—
Shareowners’ Equity		
Stanley Black & Decker, Inc. Shareowners’ Equity		
Preferred stock, without par value: Authorized and unissued 10,000,000 shares	—	—
Common stock, par value $2.50 per share: Authorized 300,000,000 shares in 2013 and 2012 Issued 176,902,738 shares in 2013 and 176,906,265 shares in 2012	442.3	442.3
Retained earnings	3,484.9	3,299.5
Additional paid in capital	4,878.6	4,473.5
Accumulated other comprehensive loss	(499.0)	(388.0)
ESOP	(53.2)	(62.8)
	8,253.6	7,764.5
Less: common stock in treasury (21,423,508 shares in 2013 and 16,954,238 shares in 2012)	(1,454.4)	(1,097.4)
Stanley Black & Decker, Inc. Shareowners’ Equity	6,799.2	6,667.1
Non-controlling interests	81.3	60.0

Total Shareowners’ Equity	6,880.5	6,727.1
Total Liabilities and Shareowners’ Equity	$16,535.1	$15,844.0

See Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows
Fiscal years ended December 28, 2013, December 29, 2012, and December 31, 2011
(Millions of Dollars)

	2013	2012	2011
Operating Activities:			
Net earnings attributable to common shareowners	$490.3	$883.8	$674.6
Adjustments to reconcile net earnings to cash provided by operating activities:			
Depreciation and amortization of property, plant and equipment	238.0	237.9	228.5
Amortization of intangibles	203.3	207.4	181.6
Inventory step-up amortization	15.4	6.3	0.8
Pretax (gain) loss on sales of businesses	(14.0)	(384.7)	16.2
Loss on debt extinguishment	20.6	45.5	—
Asset impairments	40.9	10.8	0.6
Stock-based compensation expense	66.4	89.7	68.9
Provision for doubtful accounts	13.7	11.3	15.9
Deferred tax benefit	(135.7)	(50.4)	(8.7)
Income tax settlements	0.9	(49.0)	(73.4)
Debt-fair value amortization	(5.1)	(18.3)	(34.1)
Other non-cash items	2.8	(28.5)	(12.2)
Changes in operating assets and liabilities:			
Accounts receivable	11.3	(55.2)	10.1
Inventories	(101.9)	11.4	(90.2)
Accounts payable	105.0	109.1	214.2
Deferred revenue	(1.1)	(17.6)	(6.0)
Accrued expenses	(156.0)	24.2	2.2
Other current assets	13.5	(151.7)	28.4
Long-term receivables	(11.8)	(15.2)	(21.1)
Defined benefit liabilities	(110.2)	(107.0)	(130.5)
Other long-term liabilities	152.6	351.9	(110.8)
Other long-term assets	29.1	(145.5)	43.9
Net cash provided by operating activities	868.0	966.2	998.9
Investing Activities:			
Capital expenditures	(365.6)	(386.0)	(302.1)
Proceeds from sales of assets	4.0	9.6	29.4
Business acquisitions, net of cash acquired	(933.9)	(707.3)	(1,179.6)
Proceeds from sales of businesses, net of cash sold	93.5	1,260.6	27.1
Undesignated interest rate swap terminations	—	—	(3.1)
Proceeds (payments) for net investment hedge settlements	3.6	5.8	(36.0)
Net cash (used in) provided by investing activities	(1,198.4)	182.7	(1,464.3)
Financing Activities:			
Payments on long-term debt	(302.2)	(1,422.3)	(403.2)
Proceeds from debt issuance	726.7	1,523.5	421.0
Net short-term borrowings (repayments)	388.7	(19.0)	(199.4)
Stock purchase contract fees	(3.2)	(3.2)	(3.2)
Purchase of common stock for treasury	(39.2)	(1,073.9)	(11.1)
Cash settlement on forward stock purchase contract	18.8	—	—
Payment on forward share purchase contract	(350.0)	—	—

Net premium paid on equity option	(83.2)	(29.5)	(19.6)
Premium paid on debt extinguishment	(42.8)	(91.0)	—
Termination of interest rate swaps	—	58.2	—
Termination of forward starting interest rate swaps	—	(102.6)	—
Proceeds from issuances of common stock	154.6	126.4	119.6
Cash dividends on common stock	(312.7)	(304.0)	(275.9)
Net cash provided by (used in) financing activities	155.5	(1,337.4)	(371.8)
Effect of exchange rate changes on cash	(44.9)	(2.4)	1.3
Decrease in cash and cash equivalents	(219.8)	(190.9)	(835.9)
Cash and cash equivalents, beginning of year	716.0	906.9	1,742.8
Cash and cash equivalents, end of year	$496.2	$716.0	$906.9

See Notes to Consolidated Financial Statements.

Consolidated Statements of Changes in Shareowners' Equity
Fiscal years ended December 28, 2013, December 29, 2012, and December 31, 2011
(Millions of Dollars, Except Per Share Amounts)

	Common Stock	Additional Paid In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	ESOP	Treasury Stock	Non-Controlling Interests	Shareowners' Equity
Balance January 1, 2011	$ 440.7	$ 4,885.7	$ 2,301.8	$ (116.3)	$ (74.5)	$ (420.4)	$ 52.7	$ 7,069.7
Net earnings	—	—	674.6	—	—	—	(0.1)	674.5
Other comprehensive loss				(232.9)				(232.9)
Cash dividends declared — $1.64 per share			(271.3)					(271.3)
Issuance of common stock		(22.4)				123.7		101.3
Forward obligation to purchase treasury shares		(350.0)						(350.0)
Equity purchase contracts — stock issuance		(0.4)						(0.4)
Net premium paid and settlement of equity option		(19.4)				(0.2)		(19.6)
Repurchase of common stock (164,710 shares)						(11.1)		(11.1)
Non-controlling interests of acquired businesses							10.6	10.6
Other, stock-based compensation related		68.9						68.9
Tax benefit related to stock options exercised		18.9						18.9
ESOP and related tax benefit			2.2		6.0			8.2
Balance December 31, 2011	$ 440.7	$ 4,581.3	$ 2,707.3	$ (349.2)	$ (68.5)	$ (308.0)	$ 63.2	$ 7,066.8
Net earnings			883.8				(0.8)	883.0
Other comprehensive loss				(38.8)				(38.8)
Cash dividends declared — $1.80 per share			(293.8)				(1.0)	(294.8)
Issuance of common stock		(52.7)				161.4		108.7
Convertible equity-hedge share receipt		46.9				(46.9)		—
Delivery to Convertible note holder	1.6	(1.6)						—
Net premium paid on equity option		(29.5)						(29.5)
Repurchase of common stock (12,613,068 shares)		(170.0)				(903.9)		(1,073.9)
Non-controlling interest buyout		(8.3)					(13.3)	(21.6)
Non-controlling interests of acquired businesses							11.9	11.9
		89.7						89.7

Stock-based compensation related								
Tax benefit related to stock options exercised		17.7						17.7
ESOP and related tax benefit			2.2		5.7			7.9
Balance December 29, 2012	$442.3	$4,473.5	$3,299.5	$(388.0)	$(62.8)	$(1,097.4)	$60.0	$6,727.1
Net earnings			490.3				(1.0)	489.3
Other comprehensive loss				(111.0)				(111.0)
Cash dividends declared — $1.98 per share			(307.1)				—	(307.1)
Issuance of common stock		(115.6)				250.1		134.5
Settlement of forward share repurchase contract		350.0				(350.0)		—
Equity units — non-cash stock contract fees		(40.2)						(40.2)
Equity units — offering fees		(9.2)						(9.2)
Net premium paid on equity option		(83.2)						(83.2)
Repurchase of common stock (2,225,732 shares)		217.9				(257.1)		(39.2)
Non-controlling interest buyout		(1.1)					(15.2)	(16.3)
Non-controlling interests of acquired businesses							37.5	37.5
Stock-based compensation related		66.4						66.4
Tax benefit related to stock options exercised		20.1						20.1
ESOP and related tax benefit			2.2		9.6			11.8
Balance December 28, 2013	$442.3	$4,878.6	$3,484.9	$(499.0)	$(53.2)	$(1,454.4)	$81.3	$6,880.5

See Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

A. SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION — The Consolidated Financial Statements include the accounts of Stanley Black & Decker, Inc. and its majority-owned subsidiaries (collectively the “Company”) which require consolidation, after the elimination of intercompany accounts and transactions. The Company’s fiscal year ends on the Saturday nearest to December 31. There were 52 weeks in the fiscal years 2013, 2012 and 2011.

During the third quarter of 2013, the Company classified two small businesses within the Security and Industrial segments as held for sale based on management's intention to sell these businesses. The business within the Industrial segment was subsequently sold in February 2014. In December 2012, the Company sold its Hardware & Home Improvement business ("HHI"), including the residential portion of Tong Lung, to Spectrum Brands Holdings, Inc. ("Spectrum") for approximately $1.4 billion in cash. The purchase and sale agreement stipulated that the sale occur in a First and Second Closing. The First Closing, which excluded the residential portion of the Tong Lung business, occurred on December 17, 2012 and resulted in an after-tax gain of $358.9 million. The Second Closing, in which the residential portion of the Tong Lung business was sold for $93.5 million in cash, occurred on April 8, 2013 and resulted in an after-tax gain of $4.7 million. During 2011, the Company sold three small businesses for total cash proceeds of $27.1 million. The operating results of these businesses have been reported as discontinued operations in the Consolidated Financial Statements. Amounts previously reported have been reclassified to conform to this presentation in accordance with ASC 205, "Presentation of Financial Statements," to allow for meaningful comparison of continuing operations. The Consolidated Balance Sheets as of December 28, 2013 and December 29, 2012 aggregate amounts associated with discontinued operations as described above. Refer to Note T, Discontinued Operations, for further discussion.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements. While management believes that the estimates and assumptions used in the preparation of the financial statements are appropriate, actual results could differ from these estimates. Certain amounts reported in the previous years have been reclassified to conform to the 2013 presentation.

FOREIGN CURRENCY — For foreign operations with functional currencies other than the U.S. dollar, asset and liability accounts are translated at current exchange rates; income and expenses are translated using average exchange rates. Translation adjustments are reported in a separate component of shareowners’ equity and exchange gains and losses on transactions are included in earnings.

CASH EQUIVALENTS — Highly liquid investments with original maturities of three months or less are considered cash equivalents.

ACCOUNTS AND FINANCING RECEIVABLE — Trade receivables are stated at gross invoice amounts less discounts, other allowances and provisions for uncollectible accounts. Financing receivables are initially recorded at fair value, less impairments or provisions for credit losses. Interest income earned from financing receivables that are not delinquent is recorded on the effective interest method. The Company considers any financing receivable that has not been collected within 90 days of original billing date as past-due or delinquent. Additionally, the Company considers the credit quality of all past-due or delinquent financing receivables as nonperforming.

ALLOWANCE FOR DOUBTFUL ACCOUNTS — The Company estimates its allowance for doubtful accounts using two methods. First, a specific reserve is established for individual accounts where information indicates the customers may have an inability to meet financial obligations. Second, a reserve is determined for all customers based on a range of percentages applied to aging categories. These percentages are based on historical collection and write-off experience. Actual write-offs are charged against the allowance when collection efforts have been unsuccessful.

INVENTORIES — U.S. inventories are predominantly valued at the lower of Last-In First-Out (“LIFO”) cost or market because the Company believes it results in better matching of costs and revenues. Other inventories are valued at the lower of First-In, First-Out (“FIFO”) cost or market because LIFO is not permitted for statutory reporting outside the U.S. See Note C, Inventories, for a quantification of the LIFO impact on inventory valuation.

PROPERTY, PLANT AND EQUIPMENT — The Company generally values property, plant and equipment (“PP&E”), including capitalized software, at historical cost less accumulated depreciation and amortization. Costs related to maintenance and repairs which do not prolong the asset's useful life are expensed as incurred. Depreciation and amortization are provided using straight-line methods over the estimated useful lives of the assets as follows:

	Useful Life (Years)
Land improvements	10 —20
Buildings	40
Machinery and equipment	3 — 15
Computer software	3 — 5

Leasehold improvements are depreciated over the shorter of the estimated useful life or the term of the lease.

The Company reports depreciation and amortization of property, plant and equipment in cost of sales and selling, general and administrative expenses based on the nature of the underlying assets. Depreciation and amortization related to the production of inventory and delivery of services are recorded in cost of sales. Depreciation and amortization related to distribution center activities, selling and support functions are reported in selling, general and administrative expenses.

The Company assesses its long-lived assets for impairment when indicators that the carrying amounts may not be recoverable are present. In assessing long-lived assets for impairment, the Company groups its long-lived assets with other assets and liabilities at the lowest level for which identifiable cash flows are generated (“asset group”) and estimates the undiscounted future cash flows that are directly associated with, and expected to be generated from, the use of and eventual disposition of the asset group. If the carrying value is greater than the undiscounted cash flows, an impairment loss must be determined and the asset group is written down to fair value. The impairment loss is quantified by comparing the carrying amount of the asset group to the estimated fair value, which is determined using weighted-average discounted cash flows that consider various possible outcomes for the disposition of the asset group.

GOODWILL AND INTANGIBLE ASSETS — Goodwill represents costs in excess of fair values assigned to the underlying net assets of acquired businesses. Intangible assets acquired are recorded at estimated fair value. Goodwill and intangible assets deemed to have indefinite lives are not amortized, but are tested for impairment annually during the third quarter, and at any time when events suggest an impairment more likely than not has occurred. The Company adopted ASU 2011-08, “Intangibles - Goodwill and Other (Topic 350): Testing Goodwill for Impairment,” for its 2013 goodwill impairment test. ASU 2011-08 permits companies to first assess 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 as a basis for determining whether it is necessary to perform the two-step quantitative goodwill impairment test. In performing the qualitative assessment, the Company identifies and considers the significance of relevant key factors, events, and circumstances that could affect the fair value of each reporting unit. These factors include external factors such as macroeconomic, industry, and market conditions, as well as entity-specific factors, such as actual and planned financial performance. The Company also assesses changes in each reporting unit's fair value and carrying amount since the most recent date a fair value measurement was performed. Under the two-step quantitative goodwill impairment test, if applicable, the fair value of the reporting unit is compared to its respective carrying amount including goodwill. To estimate fair value of reporting units under the two-step quantitative approach, the Company uses assumptions about future cash flows based on long-range strategic plans. This approach incorporates many assumptions including future growth rates, discount factors and tax rates. In the event the carrying amount of a reporting unit exceeds its fair value, an impairment loss would be recognized to the extent the carrying amount of the reporting unit's goodwill exceeded the implied fair value of the goodwill. The qualitative assessments and quantitative analyses are completed separately with respect to the goodwill of each of the Company’s reporting units.

Indefinite-lived intangible assets are tested for impairment by comparing the carrying amounts to the current fair market values, usually determined by the estimated cost to lease the assets from third parties. Intangible assets with definite lives are amortized over their estimated useful lives generally using an accelerated method. Under this accelerated method, intangible assets are amortized reflecting the pattern over which the economic benefits of the intangible assets are consumed. Definite-lived intangible assets are also evaluated for impairment when impairment indicators are present. If the carrying amount exceeds the total undiscounted future cash flows, a discounted cash flow analysis is performed to determine the fair value of the asset. If the carrying amount of the asset were to exceed the fair value, it would be written down to fair value. No significant goodwill or other intangible asset impairments were recorded during 2013, 2012 or 2011.

FINANCIAL INSTRUMENTS — Derivative financial instruments are employed to manage risks, including foreign currency, interest rate exposures and commodity prices and are not used for trading or speculative purposes. The Company recognizes all derivative instruments, such as interest rate swap agreements, foreign currency options, commodity contracts and foreign exchange contracts, in the Consolidated Balance Sheets at fair value. Changes in the fair value of derivatives are recognized periodically either in earnings or in Shareowners' Equity as a component of other comprehensive income, depending on whether the derivative financial instrument is undesignated or qualifies for hedge accounting, and if so, whether it represents a fair value, cash flow, or net investment hedge. Changes in the fair value of derivatives accounted for as fair value hedges are recorded in earnings in the same caption as the changes in the fair value of the hedged items. Gains and losses on derivatives designated as cash flow hedges, to the extent they are effective, are recorded in other comprehensive income, and subsequently reclassified to earnings to offset the impact of the hedged items when they occur.

In the event it becomes probable the forecasted transaction to which a cash flow hedge relates will not occur, the derivative would be terminated and the amount in other comprehensive income would generally be recognized in earnings. Changes in the fair value of derivatives used as hedges of the net investment in foreign operations, to the extent they are effective, are reported in other comprehensive income and are deferred until the subsidiary is sold. Changes in the fair value of derivatives designated as hedges under ASC 815, "Derivatives and Hedging" ("ASC 815"), including any portion that is considered ineffective, are reported in earnings in the same caption where the hedged items are recognized. Changes in the fair value of derivatives not designated as hedges under ASC 815 are reported in earnings in Other-net. Refer to Note I, Derivative Financial Instruments, for further discussion.

The net interest paid or received on interest rate swaps is recognized as interest expense. Gains and losses resulting from the early termination of interest rate swap agreements are deferred and amortized as adjustments to interest expense over the remaining period of the debt originally covered by the terminated swap.

REVENUE RECOGNITION — General: The majority of the Company's revenues result from the sale of tangible products, where revenue is recognized when the earnings process is complete, collectability is reasonably assured, and the risks and rewards of ownership have transferred to the customer, which generally occurs upon shipment of the finished product, but sometimes is upon delivery to customer facilities.

Provisions for customer volume rebates, product returns, discounts and allowances are recorded as a reduction of revenue in the same period the related sales are recorded. Consideration given to customers for cooperative advertising is recognized as a reduction of revenue except to the extent that there is an identifiable benefit and evidence of the fair value of the advertising, in which case the expense is classified as Selling, general, and administrative expense.

Multiple Element Arrangements: Approximately seven percent of the Company's revenues are generated by multiple element arrangements, primarily in the Security segment. When a sales agreement involves multiple elements, deliverables are separately identified and consideration is allocated based on their relative selling price in accordance with ASC 605-25, "Revenue Recognition — Multiple-Element Arrangements."

Sales of security monitoring systems may have multiple elements, including equipment, installation and monitoring services. For these arrangements, the Company assesses its revenue arrangements to determine the appropriate units of accounting, with each deliverable provided under the arrangement considered a separate unit of accounting. Amounts assigned to each unit of accounting are based on an allocation of total arrangement consideration using a hierarchy of estimated selling price for the deliverables. The selling price used for each deliverable will be based on Vendor Specific Objective Evidence ("VSOE") if available, Third Party Evidence ("TPE") if VSOE is not available, or estimated selling price if neither VSOE nor TPE is available. Revenue recognized for equipment and installation is limited to the lesser of their allocated amounts under the estimated selling price hierarchy or the non-contingent up-front consideration received at the time of installation, since collection of future amounts under the arrangement with the customer is contingent upon the delivery of monitoring services.

The Company's contract sales for the installation of security intruder systems and other construction-related projects are recorded under the percentage-of-completion method. Profits recognized on contracts in process are based upon estimated contract revenue and related total cost of the project at completion. The extent of progress toward completion is generally measured using input methods based on labor metrics. Revisions to these estimates as contracts progress have the effect of increasing or decreasing profits each period. Provisions for anticipated losses are made in the period in which they become determinable. For certain short duration and less complex installation contracts, revenue is recognized upon contract completion and customer acceptance. The revenues for monitoring and monitoring-related services are recognized as services are rendered over the contractual period.

Customer billings for services not yet rendered are deferred and recognized as revenue as the services are rendered. The associated deferred revenue is included in Accrued expenses or Other liabilities on the Consolidated Balance Sheets, as appropriate.

COST OF SALES AND SELLING, GENERAL & ADMINISTRATIVE — Cost of sales includes the cost of products and services provided reflecting costs of manufacturing and preparing the product for sale. These costs include expenses to acquire and manufacture products to the point that they are allocable to be sold to customers and costs to perform services pertaining to service revenues (e.g. installation of security systems, automatic doors, and security monitoring costs). Cost of sales is primarily comprised of inbound freight, direct materials, direct labor as well as overhead which includes indirect labor and facility and equipment costs. Cost of sales also includes quality control, procurement and material receiving costs as well as internal transfer costs. SG&A costs include the cost of selling products as well as administrative function costs. These expenses generally represent the cost of selling and distributing the products once they are available for sale and primarily include salaries and commissions of the Company's sales force, distribution costs, notably salaries and facility costs, as well as administrative expenses for certain support functions and related overhead.

ADVERTISING COSTS — Television advertising is expensed the first time the advertisement airs, whereas other advertising is expensed as incurred. Advertising costs are classified in SG&A and amounted to $121.1 million in 2013, $121.4 million in 2012, and $134.4 million in 2011. Expense pertaining to cooperative advertising with customers reported as a reduction of Net sales was $172.4 million in 2013, $159.8 million in 2012, and $151.7 million in 2011. Cooperative advertising with customers classified as SG&A expense amounted to $6.0 million in 2013, $4.4 million in 2012, and $7.4 million in 2011.

SALES TAXES — Sales and value added taxes collected from customers and remitted to governmental authorities are excluded from Net sales reported in the Consolidated Statements of Operations.

SHIPPING AND HANDLING COSTS — The Company generally does not bill customers for freight. Shipping and handling costs associated with inbound freight are reported in Cost of sales. Shipping costs associated with outbound freight are reported as a reduction of Net sales and amounted to $201.6 million, $181.2 million, and $158.3 million in 2013, 2012, and 2011, respectively. Distribution costs are classified as SG&A and amounted to $230.4 million, $203.0 million and $202.2 million in 2013, 2012 and 2011, respectively.

STOCK-BASED COMPENSATION — Compensation cost relating to stock-based compensation grants is recognized on a straight-line basis over the vesting period, which is generally four years. The expense for stock options and restricted stock units awarded to retirement eligible employees (those aged 55 and over, and with 10 or more years of service) is recognized on the grant date, or (if later) by the date they become retirement-eligible.

POSTRETIREMENT DEFINED BENEFIT PLAN — The Company uses the corridor approach to determine expense recognition for each defined benefit pension and other postretirement plan. The corridor approach defers actuarial gains and losses resulting from variances between actual and expected results (based on economic estimates or actuarial assumptions) and amortizes them over future periods. For pension plans, these unrecognized gains and losses are amortized when the net gains and losses exceed 10% of the greater of the market-related value of plan assets or the projected benefit obligation at the beginning of the year. For other postretirement benefits, amortization occurs when the net gains and losses exceed 10% of the accumulated postretirement benefit obligation at the beginning of the year. For ongoing, active plans, the amount in excess of the corridor is amortized on a straight-line basis over the average remaining service period for active plan participants. For plans with primarily inactive participants, the amount in excess of the corridor is amortized on a straight-line basis over the average remaining life expectancy of inactive plan participants.

INCOME TAXES — The Company accounts for income taxes under the asset and liability method in accordance with ASC 740, "Income Taxes" ("ASC 740"), which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements. Deferred tax assets and liabilities are determined based on the differences between the financial statements and tax basis of assets and liabilities using the enacted tax rates in effect for the year in which the differences are expected to reverse. Any changes in tax rates on deferred tax assets and liabilities are recognized in income in the period that includes the enactment date.

The Company records net deferred tax assets to the extent that it is more likely than not that these assets will be realized. In making this determination, Management considers all available positive and negative evidence, including future reversals of existing temporary differences, estimates of future taxable income, tax-planning strategies, and the realizability of net operating loss carry forwards. In the event that it is determined that an asset is not more likely that not to be realized, a valuation allowance is recorded against the asset. Valuation allowances related to deferred tax assets can be impacted by changes to tax laws, changes to statutory tax rates and future taxable income levels. In the event the Company were to determine that it would not be able to realize all or a portion of its deferred tax assets in the future, the unrealizable amount would be charged to earnings in the period in which that determination is made. Conversely, if the Company were to determine that it would be able to realize deferred tax assets in the future in excess of the net carrying amounts, it would decrease the recorded valuation allowance through a favorable adjustment to earnings in the period that the determination was made.

The Company records uncertain tax positions in accordance with ASC 740, which requires a two step process. First, management determines whether it is more likely than not that a tax position will be sustained based on the technical merits of the position and second, for those tax positions that meet the more likely than not threshold, management recognizes the largest amount of the tax benefit that is greater than 50 percent likely to be realized upon ultimate settlement with the related taxing authority. The Company maintains an accounting policy of recording interest and penalties on uncertain tax positions as a component of the income tax expense on continuing operations in the Consolidated Statement of Operations.

The Company is subject to tax in a number of locations, including many state and foreign jurisdictions. Significant judgment is required when calculating the worldwide provision for income taxes. Many factors are considered when evaluating and estimating the Company's tax positions and tax benefits, which may require periodic adjustments and which may not accurately anticipate actual outcomes. It is reasonably possible that the amount of the unrecognized benefit with respect to certain of the Company's unrecognized tax positions will significantly increase or decrease within the next 12 months. These changes may be the result of settlements of ongoing audits or final decisions in transfer pricing matters. The Company periodically assesses its liabilities and contingencies for all tax years still subject to audit based on the most current available information, which involves inherent uncertainty.

EARNINGS PER SHARE — Basic earnings per share equals net earnings attributable to Stanley Black & Decker, Inc., less earnings allocated to restricted stock units with non-forfeitable dividend rights, divided by weighted-average shares outstanding during the year. Diluted earnings per share include the impact of common stock equivalents using the treasury stock method when the effect is dilutive.

NEW ACCOUNTING STANDARDS — In July 2013, the Financial Accounting Standards Board ("FASB") issued ASU 2013-11, "Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists." The FASB's objective in issuing this ASU is to eliminate diversity in practice resulting from a lack of guidance on this topic in current U.S. GAAP. New recurring disclosures are not required because the ASU does not affect the recognition or measurement of uncertain tax positions under ASC 740. This ASU is effective for reporting periods beginning after December 15, 2013 with early adoption permitted. The Company did not early adopt this guidance for the year ended December 28, 2013. The Company is in the process of quantifying the effect of adopting this guidance.

In March 2013, the FASB issued ASU 2013-05, “Foreign Currency Matters (Topic 830): Parent’s Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity.” This guidance applies to the release of the cumulative translation adjustment into net income when a parent either sells a part or all of its investment in a foreign entity or no longer holds a controlling financial interest in a subsidiary or group of assets that is a business within a foreign entity. This standard update is effective prospectively for fiscal years (and interim reporting periods within those years) beginning after December 15, 2013. The Company is currently evaluating the impact of adopting this guidance.

In February 2013, the FASB issued ASU 2013-02, "Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income." This standard requires additional disclosures regarding the reporting of reclassifications out of accumulated other comprehensive income (AOCI). This standard update is effective for reporting periods beginning after December 15, 2012. The Company adopted this guidance during the first quarter of 2013.

In 2011 and 2012, the FASB issued ASU 2011-08, "Intangibles - Goodwill and Other (Topic 350) - Testing Goodwill for Impairment" and ASU 2012-02, "Intangibles - Goodwill and Other (Topic 350) - Testing Indefinite-Lived Intangibles Assets for Impairment." The objective of these standard updates was to reduce the costs and complexity of performing impairment tests for goodwill and indefinite-lived intangible assets by providing entities an option to perform a "qualitative" assessment to determine whether further impairment testing is necessary. The Company adopted this guidance in conjunction with its 2013 annual impairment testing.

In the first quarter of 2012, the Company adopted ASU 2011-05, "Comprehensive Income (Topic 220)," which revised the manner in which the Company presents comprehensive income in the financial statements. The new guidance requires entities to report components of comprehensive income in either (1) continuous statement of comprehensive income or (2) two separate but consecutive statements. The ASU did not change the items that must be reported in other comprehensive income.

In December 2011, the FASB issued guidance enhancing disclosure requirements on the nature of an entity's right to offset and related arrangements associated with its financial and derivative instruments. The new guidance requires the disclosure of the gross amounts subject to rights of set-off, amounts offset in accordance with the accounting standards followed, and the related net exposure. The new disclosure requirements are effective for annual reporting periods beginning on or after January 1, 2013 and interim periods therein. The adoption of this guidance did not have a material impact to Company's consolidated financial statements.

B. ACCOUNTS AND NOTES RECEIVABLE

(Millions of Dollars)	2013	2012
Trade accounts receivable	$1,410.9	$1,328.6
Trade notes receivable	141.5	125.9
Other accounts receivable	151.5	137.1
Gross accounts and notes receivable	1,703.9	1,591.6
Allowance for doubtful accounts	(70.9)	(65.8)
Accounts and notes receivable, net	$1,633.0	$1,525.8
Long-term trade notes receivable, net	$157.8	$146.0

Trade receivables are dispersed among a large number of retailers, distributors and industrial accounts in many countries. Adequate reserves have been established to cover anticipated credit losses. Long-term trade financing receivables of $157.8 million and $146.0 million at December 28, 2013 and December 29, 2012, respectively, are reported within Other Assets in the Consolidated Balance Sheets. Financing receivables and long-term financing receivables are predominately related to certain security equipment leases with commercial businesses. Generally, the Company retains legal title to any equipment leases and bears the right to repossess such equipment in an event of default. All financing receivables are interest bearing and the Company has not classified any financing receivables as held-for-sale. Interest income earned from financing receivables that are not delinquent is recorded on the effective interest method. The Company considers any financing receivable that has not been collected within 90 days of original billing date as past-due or delinquent. Additionally, the Company considers the credit quality of all past-due or delinquent financing receivables as nonperforming.

The Company has an accounts receivable sale program that expires on December 11, 2014. According to the terms of that program the Company is required to sell certain of its trade accounts receivables at fair value to a wholly owned, consolidated, bankruptcy-remote special purpose subsidiary (“BRS”). The BRS, in turn, must sell such receivables to a third-party financial institution (“Purchaser”) for cash and a deferred purchase price receivable. The Purchaser’s maximum cash investment in the receivables at any time is $100.0 million. The purpose of the program is to provide liquidity to the Company. The Company accounts for these transfers as sales under ASC 860 “Transfers and Servicing”. Receivables are derecognized from the Company’s Consolidated Balance Sheets when the BRS sells those receivables to the Purchaser. The Company has no retained interests in the transferred receivables, other than collection and administrative responsibilities and its right to the deferred purchase price receivable. At December 28, 2013, the Company did not record a servicing asset or liability related to its retained responsibility, based on its assessment of the servicing fee, market values for similar transactions and its cost of servicing the receivables sold.

At December 28, 2013 and December 29, 2012, $84.8 million and $80.0 million, respectively, of net receivables were derecognized. Gross receivables sold amounted to $1,328.4 million ($1,151.4 million, net) for the year ended December 28, 2013 and $1,151.2 million ($1,011.3 million, net) for the year ended December 29, 2012. These sales resulted in a pre-tax loss of $2.6 million and $3.0 million for the years ended December 28, 2013 and December 29, 2012, respectively. These pre-tax losses include servicing fees of $0.6 million and $0.5 million for the years ended December 28, 2013 and December 29, 2012, respectively. Proceeds from transfers of receivables to the Purchaser totaled $1,142.0 million and $1,001.1 million for the years ended December 28, 2013 and December 29, 2012, respectively. Collections of previously sold receivables, including deferred purchase price receivables, and all fees, which are settled one month in arrears, resulted in payments to the Purchaser of $1,136.5 million and $1,013.5 million for the years ended December 28, 2013 and December 29, 2012, respectively.

The Company’s risk of loss following the sale of the receivables is limited to the deferred purchase price receivable, which was $37.3 million at December 28, 2013 and $45.0 million at December 29, 2012. The deferred purchase price receivable will be repaid in cash as receivables are collected, generally within 30 days, and as such the carrying value of the receivable recorded approximates fair value. Delinquencies and credit losses on receivables sold were $1.0 million for the year ended

December 28, 2013 and $1.4 million for the year ended December 29, 2012. Cash inflows related to the deferred purchase price receivable totaled $370.0 million for the year ended December 28, 2013 and $289.5 million for the year ended December 29, 2012. All cash flows under the program are reported as a component of changes in accounts receivable within operating activities in the Consolidated Statements of Cash Flows since all the cash from the Purchaser is either: 1) received upon the initial sale of the receivable; or 2) from the ultimate collection of the underlying receivables and the underlying receivables are not subject to significant risks, other than credit risk, given their short-term nature.

C. INVENTORIES

(Millions of Dollars)	2013	2012
Finished products	$1,081.5	$956.8
Work in process	128.8	121.9
Raw materials	274.9	225.9
Total	$1,485.2	$1,304.6

Net inventories in the amount of $440.2 million at December 28, 2013 and $401.3 million at December 29, 2012 were valued at the lower of LIFO cost or market. If the LIFO method had not been used, inventories would have been $40.9 million higher than reported at December 28, 2013 and $49.3 million higher than reported at December 29, 2012.

D. PROPERTY, PLANT AND EQUIPMENT

(Millions of Dollars)	2013	2012
Land	$141.4	$113.5
Land improvements	34.2	29.9
Buildings	537.4	470.7
Leasehold improvements	94.3	73.6
Machinery and equipment	1,845.2	1,637.2
Computer software	382.8	363.8
Property, plant & equipment, gross	$3,035.3	$2,688.7
Less: accumulated depreciation and amortization	(1,550.0)	(1,358.8)
Property, plant & equipment, net	$1,485.3	$1,329.9

Depreciation and amortization expense associated with property, plant and equipment was as follows:

(Millions of Dollars)	2013	2012	2011
Depreciation	$208.7	$210.6	$194.4
Amortization	29.3	27.3	34.1
Depreciation and amortization expense	$238.0	$237.9	$228.5

The amounts above are inclusive of depreciation and amortization expense for discontinued operations amounting to $1.0 million in 2013, $21.8 million in 2012 and $24.7 million in 2011.

E. ACQUISITIONS

2013 ACQUISITIONS

INFASTECH

On February 27, 2013, the Company acquired a 100% ownership interest in Infastech for a total purchase price of $826.4 million, net of cash acquired. Infastech designs, manufactures and distributes highly-engineered fastening technologies and applications for a diverse blue-chip customer base in the industrial, electronics, automotive, construction and aerospace end markets. The acquisition of Infastech adds to the Company's strong positioning in specialty engineered fastening, an industry with solid growth prospects, and further expands the Company's global footprint with its strong concentration in fast-growing emerging markets. Infastech is headquartered in Hong Kong and is being consolidated into the Company's Industrial segment.

The Infastech acquisition has been accounted for using the acquisition method of accounting which requires, among other things, the assets acquired and liabilities assumed to be recognized at their fair values as of the acquisition date. The following table summarizes the estimated fair values of major assets acquired and liabilities assumed:

(Millions of Dollars)	
Cash and cash equivalents	$82.0
Accounts and notes receivable, net	117.4
Inventories, net	88.6
Prepaid expenses and other current assets	5.7
Property, plant and equipment, net	47.9
Trade names	22.0
Customer relationships	251.0
Technology	28.0
Other assets	2.2
Accounts payable	(99.2)
Accrued expenses	(38.4)
Deferred taxes	(90.4)
Other liabilities	(18.9)
Total identifiable net assets	$397.9
Goodwill	510.5
Total consideration transferred	$908.4

The weighted average useful lives assigned to the trade names, customer relationships, and technology were 15 years, 12.7 years, and 10 years, respectively.

Goodwill is calculated as the excess of the consideration transferred over the net assets recognized and represents the expected cost synergies of the combined business, assembled workforce, and the going concern nature of Infastech.

The purchase price allocation for Infastech is substantially complete. As the Company finalizes its purchase price allocation, it is anticipated that additional adjustments will be recorded relating to the valuations of certain assets, various opening balance sheet contingencies and income tax matters, and for other minor items. The Company will complete its purchase price allocation in the first quarter of 2014. The finalization of the Company's purchase accounting assessment will result in changes in the valuation of assets acquired and liabilities assumed, which the Company does not expect to be material.

GQ

On May 28, 2013, the Company purchased a 60% controlling share in Jiangsu Guoqiang Tools Co., Ltd. ("GQ") for a total purchase price of $48.5 million net of cash acquired. The fair value of the non-controlling interest is $34.4 million. GQ is a manufacturer and seller of power tools, armatures and stators in both domestic and foreign markets. The acquisition of GQ complements the Company's existing power tools product offerings and further diversifies the Company's operations and international presence. GQ is headquartered in Qidong, China and is being consolidated into the Company's CDIY segment. The estimated net assets acquired of GQ, including $34.2 million of intangible assets and $3.5 million of cash, totaled approximately $36.2 million and the resulting goodwill was $50.2 million. The total purchase price was allocated to the assets acquired and liabilities assumed based on their estimated fair values. The purchase accounting for GQ is preliminary, principally with respect to the finalization of intangible asset valuations, amongst others.

Four smaller acquisitions were completed during 2013 for a total purchase price of $40.9 million, net of cash acquired, which are being integrated into each of the Company’s three segments.

2012 ACQUISITIONS

During 2012, the Company completed seven acquisitions for a total purchase price of $696.0 million, net of cash acquired. The largest of these acquisitions were AeroScout Inc. (“AeroScout”), which was purchased for $238.8 million, net of cash acquired, and Powers Fasteners, Inc. (“Powers”), which was purchased for $220.5 million, net of cash acquired. AeroScout develops, manufactures, and sells Real-Time Locating Systems ("RTLS") primarily to healthcare and certain industrial customers. Powers distributes fastening products such as mechanical anchors, adhesive anchoring systems, and powered forced-entry systems, mainly for commercial construction end customers. AeroScout was purchased in the second quarter of 2012 and has been integrated within the Security and Industrial segments. Powers was also purchased in the second quarter of 2012 and is part of the CDIY segment. The combined assets acquired for these acquisitions, including $169.9 million of intangible assets and $7.7 million of cash, totaled approximately $279.4 million, and the combined liabilities totaled approximately $95.3 million. The related goodwill associated with these two acquisitions is approximately $282.9 million. The total purchase price for the acquisitions was allocated to the assets acquired and liabilities assumed based on their estimated fair values. The purchase accounting for these acquisitions is complete.

Five smaller acquisitions were completed during 2012 for a total purchase price of $236.7 million. The largest of these acquisitions were Lista North America (“Lista”), which was purchased for $89.7 million, net of cash acquired, and Tong Lung Metal Industry Co. ("Tong Lung"), in which the Company purchased an 89% controlling share for $102.8 million, net of cash acquired, and assumed $20.1 million of short term debt. In January 2013, the Company purchased the remaining outstanding shares of Tong Lung for approximately $12 million. Lista's storage and workbench solutions complement the Industrial & Automotive Repair division's tool, storage, radio frequency identification ("RFID")-enabled systems, and specialty supply product and service offerings. Tong Lung manufactures and sells commercial and residential locksets. The residential portion of the business was part of the December 2012 HHI sale and closed on April 8, 2013. Refer to Note T, Discontinued Operations, for further discussion. Lista was purchased in the first quarter of 2012 and is part of the Industrial segment. Tong Lung was purchased in the third quarter of 2012 and is part of the Security segment. The purchase accounting for these acquisitions is complete.

2011 ACQUISITIONS

NISCAYAH

In September 2011, the Company acquired Niscayah, one of the largest access control and surveillance solutions providers in Europe. 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 expanded and complemented the Company’s legacy security product offerings and further diversified the Company’s operations and international presence.

The initial purchase of $984.5 million established a controlling ownership interest of 95% in Niscayah. This was accomplished as part of an existing tender offer to purchase all Niscayah outstanding shares at a price of 18 SEK per share, whereby the Company increased its ownership interest from 5.8% of the outstanding shares of Niscayah at July 2, 2011 to 95% of the outstanding shares at September 9, 2011. Over the remainder of 2011, the Company purchased additional outstanding shares of Niscayah, bringing the Company’s total ownership interest in Niscayah to 99% at December 31, 2011. During the second quarter of 2012, the Company purchased the remaining outstanding shares of Niscayah for $11.3 million, or 18 SEK per share. The total purchase price paid for Niscayah was $995.8 million. Niscayah has been consolidated into the Company's Security segment.

The Niscayah acquisition was accounted for using the acquisition method of accounting which requires, among other things, the assets acquired and liabilities assumed be recognized at their fair values as of the acquisition date. The purchase price allocation for Niscayah was completed during the third quarter of 2012 within the measurement period. The following table summarizes the estimated fair values of major assets acquired and liabilities assumed:

(Millions of Dollars)		
Cash and cash equivalents	$21.1	
Accounts and notes receivable, net	178.0	
Inventories, net	55.1	
Prepaid expenses and other current assets	45.3	
Property, plant and equipment	32.3	
Trade names	6.0	
Customer relationships	350.0	
Other assets	43.1	
Short-term borrowings	(202.9	)
Accounts payable	(55.8	)
Deferred taxes	(143.5	)
Other liabilities	(253.9	)

Total identifiable net assets	$74.8
Goodwill	921.0
Total consideration transferred	$995.8

The weighted average useful lives assigned to the trade names and customer relationships were 4 years and 16 years, respectively.

Goodwill is calculated as the excess of the consideration transferred over the net assets recognized and represents the expected cost synergies of the combined business, assembled workforce, and the going concern nature of Niscayah.

OTHER 2011 ACQUISITIONS

During 2011, the Company completed nine additional acquisitions for a total purchase price of $216.2 million, net of cash acquired. The largest of these acquisitions were Infologix, Inc. ("Infologix") and Microtec Enterprises, Inc. ("Microtec", which operates under the business name "AlarmCap"), which were purchased for $60.0 million and $58.8 million, respectively. Both acquisitions were consolidated into the Company's Security segment. The Company also completed seven smaller acquisitions across all segments for a combined purchase price of $97.4 million. The purchase accounting for these 2011 acquisitions has been completed.

ACTUAL AND PRO-FORMA IMPACT FROM ACQUISITIONS

Actual Impact from Acquisitions

The Company's Consolidated Statements of Operations for the year ended December 28, 2013 includes $481.4 million in net sales and $29.4 million in net earnings related to the 2013 acquisitions. These amounts include charges relating to the amortization of inventory step-up adjustments and intangible assets recorded as part of purchase accounting.

Pro-forma Impact from Acquisitions

The following table presents supplemental pro-forma information for continuing operations as if all of the 2013 and 2012 acquisitions had occurred on January 2, 2012. This pro-forma information includes acquisition-related charges. The pro-forma consolidated results are not necessarily indicative of what the Company's consolidated net sales and net earnings would have been had the Company completed these acquisitions on January 2, 2012. In addition, the pro-forma consolidated results do not reflect the actual or expected realization of any cost savings associated with the acquisitions.

	Year-to-Date	
(Millions of Dollars, except per share amounts)	2013	2012
Net sales	$11,113.2	$10,832.1
Net earnings from continuing operations attributable to common shareowners	549.2	492.1
Diluted earnings per share-continuing operations	3.46	2.95

The 2013 pro-forma results were calculated by combining the results of Stanley Black & Decker with the stand-alone results of the 2013 acquisitions for their respective pre-acquisition periods. The following adjustments were made to account for certain costs which would have been incurred during these pre-acquisition periods:

- Elimination of the historical pre-acquisition intangible asset amortization expense and the addition of intangible asset amortization expense related to intangibles valued as part of the purchase price allocation that would have been incurred from January 1, 2013 to December 28, 2013, adjusted for the applicable tax impact.
- Because the 2013 acquisitions were assumed to occur on January 1, 2012, there were no deal costs or inventory step-up amortization factored into the 2013 pro-forma year, as such expenses would have occurred in the first year following the acquisition.

The 2012 pro-forma results were calculated by combining the results of Stanley Black & Decker with the stand-alone results of the 2012 and 2013 acquisitions for their respective pre-acquisition periods. The following adjustments were made to account for certain costs which would have been incurred during these pre-acquisition periods:

- Elimination of the historical pre-acquisition intangible asset amortization expense and the addition of intangible asset amortization expense related to intangibles valued as part of the purchase price allocation that would have been incurred from January 2, 2012 to December 29, 2012.
- Additional expense for deal costs and inventory step-up adjustments, where applicable, which would have been amortized as the corresponding inventory was sold.
- Reduced revenue for fair value adjustments made to deferred revenue, where applicable.
- Because certain acquisitions were funded using existing sources of liquidity, additional interest expense was factored into the 2012 pro-forma year.

F. GOODWILL AND INTANGIBLE ASSETS

GOODWILL — The changes in the carrying amount of goodwill by segment are as follows:

(Millions of Dollars)	CDIY	Industrial	Security	Total
Balance December 29, 2012	$3,030.5	$1,391.6	$2,593.4	$7,015.5
Addition from acquisitions	55.7	534.0	0.2	589.9
Foreign currency translation and other	(25.9)	(8.7)	(5.5)	(40.1)
Balance December 28, 2013	$3,060.3	$1,916.9	$2,588.1	$7,565.3

In accordance with ASC 350, "Intangibles - Goodwill and Other", a portion of the goodwill associated with the Security segment was allocated to the residential portion of Tong Lung based on the relative fair value of the business disposed of and the portion of the reporting unit that was retained. Accordingly, goodwill for the Security segment was reduced by $33.6 million and classified within Assets held for sale as of December 29, 2012, and subsequently included in the gain on sale of the residential portion of Tong Lung in the second quarter of 2013.

As required by the Company's policy, goodwill and indefinite-lived trade names were tested for impairment in the third quarter of 2013. The Company assessed the fair values of two of its reporting units utilizing a discounted cash flow valuation model as had been done in previous years and determined that, for each of the two reporting units, the fair values exceeded the respective carrying amounts. The key assumptions used were discount rates and perpetual growth rates applied to cash flow projections. Also inherent in the discounted cash flow valuations were near-term revenue growth rates over the next five years. These assumptions contemplated business, market and overall economic conditions. The fair values of indefinite-lived trade names were also assessed using a discounted cash flow valuation model. The key assumptions used included discount rates, royalty rates and perpetual growth rates applied to projected sales.

For the remaining four reporting units, the Company determined qualitatively that it was not more-likely-than-not that goodwill was impaired, and thus, the two-step goodwill impairment test was not required. In making this determination, the Company considered the significant excess of fair value over carrying amount as calculated in the 2012 impairment test, favorable 2013 industry performance versus prior year, analyst multiples and other positive qualitative information, all of which indicated that it is more-likely-than-not that the fair values of the four reporting units were greater than the respective carrying amounts. Based on this evaluation of internal and external qualitative factors, the Company concluded that the two-step goodwill impairment test was not required for these four reporting units.

In 2012, the Company evaluated the goodwill of each of its reporting units utilizing a discounted cash flow valuation model and determined that the fair values exceeded the respective carrying amounts. In 2012, the Company concluded that no impairment existed for any of the reporting units.

INTANGIBLE ASSETS — Intangible assets at December 28, 2013 and December 29, 2012 were as follows:

(Millions of Dollars)	2013 Gross Carrying Amount	Accumulated Amortization	2012 Gross Carrying Amount	Accumulated Amortization
Amortized Intangible Assets — Definite lives				
Patents and copyrights	$56.3	$(44.3)	$52.1	$(40.3)
Trade names	168.5	(79.4)	140.4	(67.5)
Customer relationships	1,985.5	(791.3)	1,701.3	(623.7)
Other intangible assets	281.0	(122.9)	262.1	(100.9)
Total	$2,491.3	$(1,037.9)	$2,155.9	$(832.4)

Total indefinite-lived trade names are $1,614.2 million at December 28, 2013 and $1,608.0 million at December 29, 2012. The change in value is predominately due to currency fluctuations.

Aggregate intangible assets amortization expense by segment was as follows:

(Millions of Dollars)	2013	2012	2011
CDIY	$37.7	$35.9	$31.8
Security	91.6	113.2	107.8
Industrial	74.0	58.3	42.0
Consolidated	$203.3	$207.4	$181.6

The amounts above are inclusive of amortization expense for discontinued operations amounting to $0.9 million in 2013 and $18.5 million in 2012 and 2011.

Future amortization expense in each of the next five years amounts to $194.1 million for 2014, $172.5 million for 2015, $155.6 million for 2016, $146.4 million for 2017, $135.5 million for 2018 and $649.3 million thereafter.

G. ACCRUED EXPENSES

Accrued expenses at December 28, 2013 and December 29, 2012 were as follows:

(Millions of Dollars)	2013	2012
Payroll and related taxes	$277.5	$293.0
Income and other taxes	87.8	220.7
Customer rebates and sales returns	78.9	77.1
Insurance and benefits	85.2	88.9
Accrued restructuring costs	193.8	125.2
Derivative financial instruments	66.6	78.0
Warranty costs	77.1	78.6
Deferred revenue	79.7	78.1
Forward stock purchase contract	—	350.0
Other	289.6	290.4
Total	$1,236.2	$1,680.0

H. LONG-TERM DEBT AND FINANCING ARRANGEMENTS

Long-term debt and financing arrangements at December 28, 2013 and December 29, 2012 follow:

(Millions of Dollars)	Interest Rate	2013	2012
Notes payable due 2016	5.75%	$—	$326.8
Notes payable due 2018 (junior subordinated)	2.25%	345.0	—
Notes payable due 2018 (junior subordinated)	4.25%	632.5	632.5
Notes payable due 2021	3.40%	382.2	417.1
Notes payable due 2022	2.90%	799.4	799.3
Notes payable due 2028	7.05%	147.7	169.6
Notes payable due 2040	5.20%	317.4	404.4
Notes payable due 2052 (junior subordinated)	5.75%	750.0	750.0
Notes payable due 2053 (junior subordinated)	5.75%	400.0	—
Other, payable in varying amounts through 2021	0.00% — 7.14%	35.1	37.2
Total long-term debt, including current maturities		$3,809.3	$3,536.9
Less: Current maturities of long-term debt		(9.9)	(10.4)
Long-term debt		$3,799.4	$3,526.5

Aggregate annual principal maturities of long-term debt for each of the years from 2014 to 2018 are $7.9 million, $5.4 million, $4.0 million, $3.3 million, $979.8 million, respectively and $2,912.3 million thereafter. These debt maturities represent the principal amounts to be paid and accordingly exclude the remaining $15.3 million of unamortized debt fair value adjustment, which increased the Black & Decker debt, as well as a loss of $118.7 million pertaining to fair value adjustments and unamortized interest rate swap termination gains as described in Note I, Derivative Financial Instruments. Interest paid during 2013, 2012 and 2011 amounted to $173.0 million, $167.0 million and $135.4 million, respectively.

On December 24, 2013, the Company remitted $351.8 million to the Trustee for the redemption of the $300 million of Black & Decker Corporation 5.75% senior notes due 2016. The additional $51.8 million deposited with the Trustee was to ensure that the Trustee would have sufficient funds to redeem the notes in full under the related indenture on the specified redemption date under any and all circumstances. Upon receipt of the funds, the Company's obligations with respect to the notes and the related indenture were discharged and therefore, the notes were no longer an obligation of the Company. As of December 28, 2013, of the $51.8 million paid, the Company had recorded a $42.8 million pre-tax loss related to the anticipated redemption premium and $9.0 million receivable. The loss was offset by gains of $11.9 million related to the release of fair value adjustments made in purchase accounting, $8.1 million from the recognition of gains on previously terminated derivatives and $2.2 million of accrued interest, resulting in a net pre-tax loss of $20.6 million. On January 24, 2014, the Trustee formally discharged the notes for a redemption value of $342.8 million, inclusive of accrued interest and paid the Company the$9.0 million receivable.

On December 3, 2013, the Company issued $400.0 million aggregate principal amount of 5.75% fixed-to-floating rate junior subordinated debentures maturing December 15, 2053 ("2053 Junior Subordinated Debentures"). The 2053 Junior Subordinated Debentures will bear interest at a fixed rate of 5.75% per annum, payable semi-annually in arrears to, but excluding December 15, 2018. From and including December 15, 2018, the 2053 Junior Subordinated Debentures will bear interest at an annual rate equal to three-month LIBOR plus 4.304% payable quarterly in arrears. The 2053 Junior Subordinated Debentures are unsecured and rank subordinate and junior in right of payment to all of the Company's existing and future senior debt. The 2053 Junior Subordinated Debentures rank equally in right of payment with all of the Company's other unsecured junior subordinated debt. The Company received proceeds from the offering of $392.0 million, net of $8.0 million of underwriting discounts and commissions, before offering expenses. The Company used the net proceeds primarily to repay commercial paper borrowings. The Company may, so long as there is no event of default with respect to the debentures, defer interest payments on the debentures, from time to time, for one or more Optional Deferral Periods (as defined in the indenture governing the 2053 Junior Subordinated Debentures) of up to five consecutive years. Deferral of interest payments cannot extend beyond the maturity date of the debentures. The 2053 Junior Subordinated Debentures include an optional redemption provision whereby the

Company may elect to redeem the debentures, in whole or in part, at a "make-whole" premium based on United States Treasury rates, plus accrued and unpaid interest if redeemed before December 15, 2018, or at 100% of their principal amount plus accrued and unpaid interest if redeemed after December 15, 2018. In addition, the Company may redeem the debentures in whole, but not in part, before December 15, 2018, if certain changes in tax laws, regulations or interpretations occur at 100% of their principal amount plus accrued and unpaid interest.

On December 3, 2013, the Company also issued 3,450,000 Equity Units, each with a stated value of $100 and received approximately $334.7 million in cash proceeds, as described in greater detail below.

In November 2012, the Company issued $800 million of senior unsecured term notes, maturing on November 1, 2022 (“2022 Term Notes”) with fixed interest payable semi-annually, in arrears, at a rate of 2.90% per annum. The 2022 Term Notes are unsecured and rank equally with all of the Company's existing and future unsecured and unsubordinated debt. The Company received net proceeds of $793.9 million which reflects a discount of $0.7 million and $5.4 million of underwriting expenses and other fees associated with the transaction. The Company used the net proceeds from the offering for general corporate purposes, including repayment of short term borrowings. The 2022 Term Notes include a Change of Control provision that would apply should a Change of Control event (as defined in the Indenture governing the 2022 Term Notes) occur. The Change of Control provision states that the holders of the Term Notes may require the Company to repurchase, in cash, all of the outstanding 2022 Term Notes for a purchase price at 101.0% of the original principal amount, plus any accrued and unpaid interest outstanding up to the repurchase date.

In July and August 2012, the Company repurchased $250.0 million of The Stanley Works 6.15% senior notes due 2013, $350.0 million of The Black & Decker Corporation's 8.95% senior notes due 2014 and $300.0 million of The Black & Decker Corporation's 4.75% senior notes due 2014 by initiating an open market tender offer to purchase for cash any and all of the notes, followed by exercising its right under the optional redemption provision of each note to repurchase any remaining notes not repurchased in the tender offer. The Company paid a premium of $91 million to extinguish the notes, which was offset by gains of $35 million from fair value adjustments made in purchase accounting and $10.5 million from terminated derivatives, resulting in a net pre-tax loss of $45.5 million.

In July 2012, the Company issued $750.0 million of junior subordinated debentures, maturing on July 25, 2052 (“2052 Junior Subordinated Debentures”) with fixed interest payable quarterly, in arrears, at a rate of 5.75% per annum. The 2052 Junior Subordinated Debentures are unsecured and rank subordinate and junior in right of payment to all of the Company's existing and future senior debt. The Company received net proceeds of $729.4 million and paid $20.6 million of fees associated with the transaction. The Company used the net proceeds from the offering for general corporate purposes, including repayment of debt and refinancing of near term debt maturities. The Company may, so long as there is no event of default with respect to the debentures, defer interest payments on the debentures, from time to time, for one or more Optional Deferral Periods (as defined in the indenture governing the 2052 Junior Subordinated Debentures) of up to five consecutive years per period. Deferral of interest payments cannot extend beyond the maturity date of the debentures. Additionally, the 2052 Junior Subordinated Debentures include an optional redemption whereby the Company may elect to redeem the debentures, in whole or in part, at the redemption price plus accrued and unpaid interest if redeemed before July 25, 2017, or at 100% of their principal amount plus accrued and unpaid interest if redeemed after July 25, 2017.

In May 2012, the Company repaid the $320.0 million principal of its Convertible Notes at maturity, in cash. Additionally, the Company settled the conversion option value by delivering 640,018 common shares. The conversion rate was 15.6666 per $1,000 note (equivalent to a conversion price set at $63.83 per common share), and the applicable market value of the Company's stock at settlement was $73.24. The Company's Bond Hedge also matured May 17, 2012 resulting in the receipt of 640,772 common shares from the counterparties. The aggregate effect of these financial instruments was a 754 share reduction in the Company’s common shares. During August and September 2012, 4,938,624 stock warrants associated with the Convertible Notes expired. No shares were issued upon their expiration as the warrants were out of the money.

In November 2011, the Company issued $400.0 million of senior unsecured Term Notes, maturing on December 1, 2021 (“2021 Term Notes”) with fixed interest payable semi-annually in arrears at a rate of 3.40% per annum. The 2021 Term Notes rank equally with all of the Company’s existing and future unsecured and unsubordinated debt. The Company received net proceeds of $397.0 million which reflects a discount of $0.4 million to achieve a 3.40% interest rate and paid $2.6 million of fees associated with the transaction. The Company used the net proceeds from the offering primarily to reduce its short term borrowings under its existing commercial paper program. The 2021 Term Notes include a Change of Control provision that would apply should a Change of Control event (as defined in the Indenture governing the 2021 Term Notes) occur. The Change of Control provision states that the holders of the Term

Notes may require the Company to repurchase, in cash, all of the outstanding 2021 Term Notes for a purchase price at 101.0% of the original principal amount, plus any accrued and unpaid interest outstanding up to the repurchase date. Additionally, the 2021 Term Notes include a par call whereby the Company, on or after September 1, 2021, may elect to repay the notes at par. The $417.1 million of debt reported at December 29, 2012 reflects the fair value adjustment related to a fixed-to-floating interest rate swap entered into in December 2011, as detailed in Note I, Derivative Financial Instruments.

At December 28, 2013, the Company had fixed-to-floating interest rate swaps on its $150.0 million notes payable due in 2028. The carrying value of the notes payable due in 2028 includes a loss of $17.6 million pertaining to the fair value adjustment of the swaps and $15.3 million associated with fair value adjustments made in purchase accounting.

At December 28, 2013, the Company had fixed-to-floating interest rate swaps on its $400.0 million notes payable due in 2021. The carrying value of the notes payable due in 2021 includes a loss of $32.0 million pertaining to the fair value adjustment of the swaps and $14.5 million pertaining to the unamortized gain on previously terminated swaps and a $0.3 million unamortized discount on the notes.

At December 28, 2013, the Company had fixed-to-floating interest rate swaps on its $400.0 million notes payable due in 2040. The carrying value of the notes payable due in 2040 includes a loss of $82.4 million pertaining to the fair value adjustment of the swaps and a $0.2 million unamortized discount on the notes.

Unamortized gains and fair value adjustments associated with interest rate swaps are more fully discussed in Note I, Derivative Financial Instruments.

Commercial Paper and Credit Facilities

At December 28, 2013 the Company had $368.0 million of commercial paper borrowings outstanding and at December 29, 2012 the Company had no commercial paper borrowings outstanding against the Company's $2.0 billion commercial paper program.

In June 2013, the Company terminated its four year $1.2 billion committed credit facility with the concurrent execution of a new five year $1.5 billion committed credit facility (the "Credit Agreement"). Borrowings under the Credit Agreement may include U.S. Dollars up to the $1.5 billion commitment or in Euro or Pounds Sterling subject to a foreign currency sub-limit of $400.0 million and bear interest at a floating rate dependent upon the denomination of the borrowing. Repayments must be made on June 27, 2018 or upon an earlier termination date of the Credit Agreement, at the election of the Company. Simultaneously, the Company terminated its $1.0 billion 364 day committed credit facility with the concurrent execution of a new $500 million 364 day committed credit facility (the "Facility"). The Facility contains a one year term-out provision and borrowings under the Facility may include U.S. Dollars up to the $500 million commitment or in Euro or Pounds Sterling subject to a foreign currency sub-limit of $250 million and bear interest at a floating rate dependent upon the denomination of the borrowing. Repayments must be made by June 26, 2014, unless the one year term-out election is made, or upon an earlier termination date of the Facility, at the election of the Company. The Credit Agreement and Facility are designated to be a liquidity back-stop for the Company's $2.0 billion commercial paper program. As of December 28, 2013, the Company has not drawn on either of these commitments.

In addition, the Company has short-term lines of credit that are primarily uncommitted, with numerous banks, aggregating $373.5 million, of which $258.2 million was available at December 28, 2013. Short-term arrangements are reviewed annually for renewal.

The aggregate amount of committed and uncommitted, long- and short-term lines is $2.4 billion, of which $24.7 million is recorded as short-term borrowings at December 28, 2013 excluding commercial paper borrowings outstanding under the commercial paper program. In addition, $115.3 million of the short-term credit lines was utilized primarily pertaining to outstanding letters of credit for which there are no required or reported debt balances.

The weighted average interest rates on short-term borrowings, primarily commercial paper, for the fiscal years ended December 28, 2013 and December 29, 2012 were 0.3% and 0.4%, respectively.

Equity Units

On December 3, 2013, the Company issued 3,450,000 Equity Units (the "Equity Units"), each with a stated value of $100. The Equity Units are initially comprised of a 1/10, or 10%, undivided beneficial ownership in a $1,000 principal amount 2.25% junior subordinated note due 2018 (the "2018 Junior Subordinated Note") and a forward common stock purchase contract (the "Equity Purchase Contract"). The Company received approximately $334.7 million in cash proceeds from the Equity Units, net of underwriting discounts and commissions, before offering expenses, and recorded $345.0 million in long-term debt. The proceeds were used primarily to repay commercial paper borrowings. The Company also used $9.7 million of the proceeds to enter into capped call transactions utilized to hedge potential economic dilution as described in more detail below.

Equity Purchase Contracts:

Each Equity Purchase Contract obligates the holders to purchase, on November 17, 2016, for a price of $100, between 1.0122 and 1.2399 shares of the Company's common stock (subject to customary anti-dilution adjustments) or approximately 3.5 to 4.3 million common shares, respectively. If a fundamental change occurs, in certain circumstances, the number of shares of common stock deliverable upon settlement of the Equity Purchase Contracts will be increased by a make-whole amount, resulting in the issuance of a maximum of approximately 6.1 million shares of common stock. Upon settlement of the Equity Purchase Contracts on November 17, 2016, the Company expects to receive additional cash proceeds of $345.0 million. The Junior Subordinated 2018 Notes, described further below, are initially pledged as collateral to secure the holders' obligations to purchase the Company's common stock under the terms of the Equity Purchase Contracts. Equity Purchase Contract holders may elect to settle their obligations under the Equity Purchase Contracts early, in cash.

Holders of the Equity Purchase Contracts are paid contract adjustment payments ("Contract Adjustment Payments") at a rate of 4.00% per annum, payable quarterly in arrears on February 17, May 17, August 17 and November 17 of each year, commencing February 17, 2014. The $40.2 million present value of the Contract Adjustment Payments reduced Shareowners' Equity upon issuance of the Equity Units and a related liability for the present value of the cash payments of $40.2 million was recorded. As each quarterly Contract Adjustment Payment is made, the related liability is reduced and the difference between the cash payment and the present value of the Contract Adjustment Payment of approximately $0.6 million is accreted to interest expense over the three year term.

2018 Junior Subordinated Notes:

The $345.0 million aggregate principal amount of the 2018 Junior Subordinated Notes will mature on November 17, 2018. The 2018 Junior Subordinated Notes bear interest at a rate of 2.25% per annum, payable quarterly in arrears on February 17, May 17, August 17 and November 17 of each year, commencing February 17, 2014. The 2018 Junior Subordinated Notes are unsecured and rank subordinate and junior in right of payment to the Company's existing and future senior indebtedness. The 2018 Junior Subordinated Notes initially rank equally in right of payment with all of the Company's other unsecured junior subordinated debt.

The Company may elect, at its option, to remarket the 2018 Junior Subordinated Notes early during a period beginning on August 12, 2016 and ending October 26, 2016. Unless an early remarketing is successful, the Company will be required to remarket the 2018 Junior Subordinated Notes during a final remarketing period beginning on November 7, 2016 and ending November 14, 2016. Holders of Equity Units may elect not to participate in the remarketing by creating "Treasury Units" (replacing the 2018 Junior Subordinated Notes with zero-coupon U.S. Treasury securities as substitute collateral to secure their obligations under the Equity Purchase Contracts) or "Cash Settled Units" (replacing the 2018 Junior Subordinated Notes with cash as substitute collateral to secure their obligations under the Equity Purchase Contracts), or by settling the Equity Purchase Contracts early in cash prior to November 17, 2016. Upon a successful remarketing, the proceeds attributable to 2018 Junior Subordinated Notes that were components of Equity Units will be used to satisfy in full the Equity Unit holders' obligations to purchase the Company's common stock under the Equity Purchase Contracts (or, in the case of an early remarketing, will be used to purchase a portfolio of U.S. Treasury securities, the proceeds of which will be used to satisfy such obligations). At the time of the remarketing (1) the interest rate on the 2018 Junior Subordinated Notes may be re-set and (2) the ranking of the 2018 Junior Subordinated Notes will change such that they rank senior to all of the Company's existing and future unsecured junior subordinated debt and junior to all of the Company's existing and future senior debt.

Interest expense of $0.7 million was recorded for 2013 related to the contractual interest coupon on the 2018 Junior Subordinated Notes based upon the 2.25% annual rate.

Capped Call Transactions:

In order to offset the potential economic dilution associated with the common shares issuable upon settlement of the Equity Purchase Contracts, the Company entered into capped call transactions with a major financial institution (the "counterparty"). The capped call transactions cover, subject to customary anti-dilution adjustments, the number of shares equal to the number of shares issuable upon settlement of the Equity Purchase Contracts at the 1.0122 minimum settlement rate. The capped call transactions have a term of approximately three years and initially have a lower strike price of $98.80, which corresponds to the minimum settlement rate of the Equity Purchase Contracts, and an upper strike price of $112.91, which is approximately 40% higher than the closing price of the Company's common stock on November 25, 2013, and are subject to customary anti-dilution adjustments. At December 28, 2013, there had been no adjustment to the strikes. The Company paid $9.7 million of cash to fund the cost of the capped call transactions, which was recorded as a reduction of Shareowners' Equity. The capped call transactions may be settled by net share settlement or, at the Company’s option and subject to certain conditions, cash settlement, physical settlement or modified physical settlement (in which case the number of shares the Company will receive will be reduced by a number of shares based on the excess, if any, of the volume-weighted average price of its common stock, as measured under the terms of the capped call transactions, over the upper strike price of the capped call transactions). If the capped call transactions are exercised and the volume-weighted average price per share of common stock, as measured under the terms of the capped call transactions, is greater than the lower strike price of the capped call transactions but not greater than the upper strike price of the capped call transactions, then the value the Company expects to receive from the capped call counterparties will be generally based on the amount of such excess. As a result, the capped call transactions may offset the potential dilution upon settlement of the Equity Purchase Contracts. If, however, the volume-weighted average price per share of common stock, as measured under the terms of the capped call transactions, exceeds the upper strike price of the capped call transactions, the value the Company expects to receive upon settlement of the capped call transactions (or portions thereof) will be approximately equal to (x) the excess of the upper strike price of the capped call transactions over the lower strike price of the capped call transactions times (y) the number of shares of common stock relating to the capped call transactions (or the portions thereof) being exercised, in each case as determined under the terms of the capped call transactions. As a result, the dilution mitigation under the capped call transactions will be limited based on such capped value. See Note J, Capital Stock - Other Equity Arrangements, for further details on the capped call transactions.

Convertible Preferred Units

In November 2010, the Company issued 6,325,000 Convertible Preferred Units (the “Convertible Preferred Units”), each with a stated amount of $100. The Convertible Preferred Units are initially comprised of a 1/10, or 10%, undivided beneficial ownership in a $1,000 principal amount junior subordinated note (the “Note”) and a Purchase Contract (the “Purchase Contract”) obligating holders to purchase one share (subject to adjustment under certain circumstances if holders elect to settle their Purchase Contracts early) of the Company’s 4.75% Series B Perpetual Cumulative Convertible Preferred Stock (the “Convertible Preferred Stock”). The Company received $613.5 million in cash proceeds from the Convertible Preferred Units offering, net of underwriting fees. These proceeds were used to redeem all of the Company’s outstanding 5.902% Fixed Rate/Floating Rate Junior Subordinated Debt Securities due 2045, at a price of $312.7 million, to contribute $150.0 million to a U.S. pension plan to improve the funded status of the Company’s pension obligations, to fund the $50.3 million cost of the capped call transaction as more fully described below, and the remainder to reduce outstanding short-term borrowings and for other general corporate purposes.

Purchase Contracts:

Each Purchase Contract obligates the holder to purchase, on the earlier of (i) November 17, 2015 (the “Purchase Contract settlement date”) or (ii) the triggered early settlement date (as described below), for $100, one newly-issued share (subject to adjustment under certain circumstances if holders elect to settle their Purchase Contracts early) of Convertible Preferred Stock. A maximum of 6,325,000 shares of Convertible Preferred Stock may be issued on the Purchase Contract settlement date, resulting in total additional cash proceeds to the Company of up to $632.5 million. The Notes, described further below, are pledged as collateral to guarantee the holders’ obligations to purchase Convertible Preferred Stock under the terms of the Purchase Contracts. Purchase Contract holders may elect to settle their obligations under the Purchase Contracts early, in cash, at any time prior to the second business day immediately preceding the Purchase Contract settlement date or the triggered early settlement date, as applicable, subject to certain exceptions and conditions.

Upon early settlement of any Purchase Contracts, except in connection with a “fundamental change” or trigger event, the Company will deliver a number of shares of Convertible Preferred Stock equal to 85% of the number of Purchase Contracts tendered for early settlement. Upon the occurrence of a fundamental change, holders of Purchase Contracts will have the right, subject to certain exceptions and conditions, to settle their Purchase Contracts early at 100% of the settlement rate for the Purchase Contracts.

Holders of the Purchase Contracts are paid contract adjustment payments (“contract adjustment payments”) at a rate of 0.50% per annum, payable quarterly in arrears on February 17, May 17, August 17 and November 17 of each year, commencing February 17, 2011. The $14.9 million present value of the contract adjustment payments reduced Shareowners’ Equity at inception. As each quarterly contract adjustment payment is made, the related liability will be relieved with the difference between the cash payment and the present value of the contract adjustment payment recorded as interest expense (at inception approximately $0.9 million accretion over the five year term). At December 28, 2013 the liability reported for the contract adjustment payments amounted to $6.0 million. The Company has the right to defer the payment of contract adjustment payments until no later than the Purchase Contract settlement date or the triggered early settlement date (each as described below), as applicable. Any deferred contract adjustment payments will accrue additional contract adjustment payments at the rate of 4.75% per year until paid, compounded quarterly.

Convertible Preferred Stock:

When issued following a settlement of the Purchase Contract, holders of the Convertible Preferred Stock are entitled to receive cumulative cash dividends at the rate of 4.75% per annum of the $100 liquidation preference per share of the Convertible Preferred Stock. Dividends on the Convertible Preferred Stock will be payable, when, as and if declared by the Company’s board of directors, quarterly in arrears on February 17, May 17, August 17 and November 17 of each year.

Following the issuance of Convertible Preferred Stock upon settlement of a holder's Purchase Contracts, a holder of Convertible Preferred Stock may, at its option, at any time and from time to time, convert some or all of its outstanding shares of Convertible Preferred Stock as described below at a conversion rate of 1.3333 shares of the Company's common stock per share of Convertible Preferred Stock (subject to customary anti-dilution adjustments), which is equivalent to an initial conversion price of approximately $75.00 per share of common stock. At December 28, 2013, the conversion rate on the Convertibles Units due 2012 was 1.3579 (equivalent to a conversion price set at $73.64 per common share). If a fundamental change occurs, in certain circumstances the conversion rate may be adjusted by a fundamental change make-whole premium.

The Company may redeem some or all of the Convertible Preferred Stock on or after December 22, 2015 at a redemption price equal to 100% of the liquidation preference per share plus accrued and unpaid dividends to the redemption date. If the Company calls the Convertible Preferred Stock for redemption, holders may convert their Convertible Preferred Stock at any time prior to the close of business on the business day immediately preceding the redemption date.

Upon conversion prior to November 17, 2015, the Company may only deliver shares of common stock, together with cash in lieu of fractional shares. Upon a conversion on or after November 17, 2015, the Company may elect to pay or deliver, as the case may be, solely shares of common stock, together with cash in lieu of fractional shares (“physical settlement”), solely cash (“cash settlement”) or a combination of cash and common stock (“combination settlement”). The amount of shares and/or cash that each holder of Convertible Preferred Stock will receive is called the “settlement amount.” If the Company elects physical settlement or any shares of Convertible Preferred Stock are converted prior to November 17, 2015, the Company will deliver to the converting holder a number of shares of common stock (and cash in lieu of any fractional shares) equal to the number of shares of Convertible Preferred Stock to be converted multiplied by the applicable conversion rate. If the Company elects cash settlement or combination settlement, the settlement amount will be based on the volume weighted average price of the Company’s common stock during a 20 day observation period.

Notes:

The $632.5 million principal amount of the Notes is due November 17, 2018. At maturity, the Company is obligated to repay the principal in cash. The Notes bear interest at an initial rate of 4.25% per annum, initially payable quarterly in arrears on February 17, May 17, August 17 and November 17 of each year, commencing February 17, 2011, subject to the Company’s right to defer interest payments. The Notes are the Company’s direct, unsecured general obligations and are initially subordinated and junior in right of payment to the Company’s existing and future senior indebtedness. The Notes initially rank equally in right of payment with all of the Company’s other junior subordinated debt. The Notes are initially pledged as collateral to guarantee the obligations of holders of Purchase Contracts to purchase Convertible Preferred Stock. The Notes will be released from that pledge arrangement (1) following a successful remarketing, (2) following the substitution of cash to purchase certain treasury unit collateral, (3) following the substitution of cash during certain periods prior to the final remarketing period or triggered remarketed period for the Notes, (4) following the early settlement of the Purchase Contracts or (5) following certain events of bankruptcy, insolvency or reorganization. The unamortized deferred issuance cost of the Notes was $4.2 million at December 28, 2013. The remaining unamortized balance will be recorded to interest expense through the Notes maturity in November 2018.

Unless a trigger event (as defined below) has occurred, the Company may elect, at its option, to remarket the Notes during a period (the “optional remarketing window”) beginning on and including August 12, 2015 until October 27, 2015. Such remarketing will include the Notes underlying Convertible Preferred Units that have not been released from the pledge and other Notes of holders that have elected to include those Notes in the remarketing. The Company may attempt to remarket the Notes during multiple optional remarketing periods in the optional remarketing window so long as it gives 15 calendar days notice prior to the first day of any optional remarketing period. Upon a successful optional remarketing of the Notes, the remarketing agent will purchase U.S. Treasury securities as described in the prospectus supplement (the “Treasury portfolio”), and deduct such price from the proceeds of the optional remarketing. Any remaining proceeds will be promptly remitted after the optional remarketing settlement date by the remarketing agent for the benefit of the holders whose Notes were remarketed. The applicable ownership interests in the Treasury portfolio will be substituted for the applicable ownership interests in remarketed pledged Notes and will be pledged to the Company to secure the holders’ obligation under the Purchase Contracts. On the Purchase Contract settlement date, a portion of the proceeds from the Treasury portfolio equal to the aggregate principal amount of the Notes that are components of the Convertible Preferred Units at the time of remarketing will automatically be applied to satisfy the holders’ obligations to purchase Convertible Preferred Stock under the Purchase Contracts. In addition, proceeds from the Treasury portfolio equal to the interest payment (assuming no reset of the interest rate) that would have been attributable to the Notes that were components of the Convertible Preferred Units at the time of remarketing will be paid on the Purchase Contract settlement date to the holders.

If a trigger event occurs prior to the first day in the optional remarketing window, all Purchase Contracts will mandatorily settle early on the date that is 25 calendar days after the occurrence of the trigger event or, if such day is not a business day, the immediately following business day (the “triggered early settlement date”). In connection with the occurrence of a trigger event, the remarketing agent will remarket the Notes that are components of the units and any separate Notes whose holders have elected to participate in the remarketing during each day of the five business day period (the “triggered early remarketing period”) ending on the third business day immediately preceding the triggered early settlement date (the “triggered early remarketing”). A “trigger event” will be deemed to have occurred upon the Company’s filing any periodic or annual report under Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, in respect of any fiscal quarter with financial statements for such fiscal quarter where the Company’s leverage ratio (as described in the prospectus supplement relating to the Convertible Preferred Units) is equal to or greater than 6.0 (on an annualized basis) for each of the three consecutive fiscal quarters immediately preceding, and including, such fiscal quarter.

Unless the Treasury portfolio has replaced the pledged Notes as part of Convertible Preferred Units as a result of a successful optional remarketing or a triggered early settlement date has occurred, the remarketing agent will remarket the pledged Notes that are components of the Convertible Preferred Units and any separate Notes whose holders have elected to participate in the remarketing during each day of the five business day period ending on November 12, 2015 (the third business day immediately preceding the Purchase Contract settlement date) until the remarketing is successful (the "final remarketing").

In connection with a successful remarketing, all outstanding Notes (whether or not remarketed) will rank senior to all of the Company's existing and future unsecured junior subordinated obligations and junior to all of its existing and future senior indebtedness, the interest deferral provisions of the Notes will not apply to all outstanding Notes (whether or not remarketed), the interest rate on all outstanding Notes (whether or not remarketed) may be reset and interest will be payable semi-annually in arrears.

Interest expense of $26.9 million was recorded for each of 2013, 2012 and 2011, related to the contractual interest coupon on the Notes for the periods presented based upon the 4.25% rate.

Equity Option:

In order to offset the common shares that may be deliverable upon conversion of shares of Convertible Preferred Stock, the Company entered into capped call transactions (equity options) with certain major financial institutions (the "capped call counterparties"). The capped call transactions cover, subject to anti-dilution adjustments, the number of shares of common stock equal to the number of shares of common stock underlying the maximum number of shares of Convertible Preferred Stock issuable upon settlement of the Purchase Contracts. Each of the capped call transactions had an original term of approximately five years and initially has a lower strike price of $75.00, which corresponds to the initial conversion price of the Convertible Preferred Stock, and an upper strike price of $97.95, which is approximately 60% higher than the closing price of the common stock on November 1, 2010. At December 28, 2013, the capped call transactions had an adjusted lower strike price of $73.64 and an adjusted upper strike price of $96.17. The Company paid $50.3 million of cash to fund the cost of the capped call transactions, which was recorded as a reduction of Shareowners' Equity. The capped call transactions may be settled by net share settlement or, at the Company's option and subject to certain conditions, cash settlement, physical settlement or modified physical settlement (in which case the number of shares the Company will receive will be reduced by a number of shares based on the excess, if any, of the volume-weighted average price of its common stock, as measured under the terms of the capped call transactions, over the upper strike price of the capped call transactions). If the capped call transactions are exercised and the volume-weighted average price per share of common stock, as measured under the terms of the capped call transactions, is greater than the lower strike price of the capped call transactions but not greater than the upper strike price of the capped call transactions, then the value the Company expects to receive from the capped call counterparties will be generally based on the amount of such excess. As a result, the capped call transactions may offset the potential dilution upon conversion of the Convertible Preferred Stock. If, however, the volume-weighted average price per share of common stock, as measured under the terms of the capped call transactions, exceeds the upper strike price of the capped call transactions, the value the Company expects to receive upon the exercise of the capped call transactions (or portions thereof) will be approximately equal to (x) the excess of the upper strike price of the capped call transactions over the lower strike price of the capped call transactions times (y) the number of shares of common stock relating to the capped call transactions (or the portions thereof) being exercised, in each case as determined under the terms of the capped call transactions. As a result, the dilution mitigation under the capped call transactions will be limited based on such capped value.

I. DERIVATIVE FINANCIAL INSTRUMENTS

The Company is exposed to market risk from changes in foreign currency exchange rates, interest rates, stock prices and commodity prices. As part of the Company's risk management program, a variety of financial instruments such as interest rate swaps, currency swaps, purchased currency options, foreign exchange contracts and commodity contracts, are used to mitigate interest rate exposure, foreign currency exposure and commodity price exposure.

Financial instruments are not utilized for speculative purposes. If the Company elects to do so and if the instrument meets the criteria specified in ASC 815, Derivatives and Hedging, management designates its derivative instruments as cash flow hedges, fair value hedges or net investment hedges. Generally, commodity price exposures are not hedged with derivative financial instruments and instead are actively managed through customer pricing initiatives, procurement-driven cost reduction initiatives and other productivity improvement projects.

A summary of the fair value of the Company's derivatives recorded in the Consolidated Balance Sheets at December 28, 2013 and December 29, 2012 follows (in millions):

	Balance Sheet Classification	2013	2012	Balance Sheet Classification	2013	2012
Derivatives designated as hedging instruments:						
Interest Rate Contracts Fair Value	Other current assets	21.7	18.5	Accrued expenses	3.3	3.3
	LT other assets	—	6.4	LT other liabilities	139.3	4.6
Foreign Exchange Contracts Cash Flow	Other current assets	3.7	—	Accrued expenses	0.3	2.6
Net Investment Hedge	Other current assets	1.4	0.2	Accrued expenses	52.6	25.7
		$26.8	$25.1		$195.5	$36.2
Derivatives not designated as hedging instruments:						
Foreign Exchange Contracts	Other current assets	$64.9	$73.9	Accrued expenses	$10.4	$46.4
LT other assets		—	—	LT other liabilities	6.4	8.9
		$64.9	$73.9		$16.8	$55.3

The counterparties to all of the above mentioned financial instruments are major international financial institutions. The Company is exposed to credit risk for net exchanges under these agreements, but not for the notional amounts. The credit risk is limited to the asset amounts noted above. The Company limits its exposure and concentration of risk by contracting with diverse financial institutions and does not anticipate non-performance by any of its counterparties. Further, as more fully discussed in Note M, Fair Value Measurements, the Company considers non-performance risk of its counterparties at each reporting period and adjusts the carrying value of these assets accordingly. The risk of default is considered remote.

In 2013 and 2012, significant cash flows related to derivatives including those that are separately discussed in Cash Flow Hedges, Fair Value Hedges and Net Investment Hedges below resulted in net cash received of $27.4 million and cash paid of $79.8 million, respectively.

CASH FLOW HEDGES — There was a $77.3 million after-tax loss and a $93.5 million after-tax loss as of December 28, 2013 and December 29, 2012, respectively, reported for cash flow hedge effectiveness in Accumulated other comprehensive loss. An after-tax loss of $9.6 million is expected to be reclassified to earnings as the hedged transactions occur or as amounts are amortized within the next twelve months. The ultimate amount recognized will vary based on fluctuations of the hedged currencies and interest rates through the maturity dates.

The tables below detail pre-tax amounts reclassified from Accumulated other comprehensive income (loss) into earnings for active derivative financial instruments during the periods in which the underlying hedged transactions affected earnings for the twelve months ended December 28, 2013 and December 29, 2012 (in millions):

Year-to-date 2013 (In millions)	Gain (Loss) Recorded in OCI	Classification of Gain (Loss) Reclassified from OCI to Income	Gain (Loss) Reclassified from OCI to Income (Effective Portion)	Gain (Loss) Recognized in Income (Ineffective Portion*)
Foreign Exchange Contracts	$5.1	Cost of sales	$ (3.4)	—

Year-to-date 2012 (In millions)	Gain (Loss) Recorded in OCI	Classification of Gain (Loss) Reclassified from OCI to Income	Gain (Loss) Reclassified from OCI to Income (Effective Portion)	Gain (Loss) Recognized in Income (Ineffective Portion*)
Foreign Exchange Contracts	$(11.2)	Cost of sales	$ 1.9	—

* Includes ineffective portion and amount excluded from effectiveness testing on derivatives.

For 2013 and 2012, the hedged items' impact to the Consolidated Statement of Operations was a gain of $3.4 million and a loss of $1.9 million, respectively, in Cost of Sales. There was no impact related to the interest rate contracts' hedged items for any period presented.

During 2013, 2012 and 2011, an after-tax loss of $11.7 million, $2.9 million and $15.9 million, respectively, was reclassified from Accumulated other comprehensive income (loss) into earnings (inclusive of the gain/loss amortization on terminated derivative financial instruments) during the periods in which the underlying hedged transactions affected earnings.

Interest Rate Contracts: The Company enters into interest rate swap agreements in order to obtain the lowest cost source of funds within a targeted range of variable to fixed-rate debt proportions. As of December 28, 2013 and December 29, 2012, all interest rate swaps designated as cash flow hedges were terminated as discussed below.

In December 2009, the Company executed forward starting interest rate swaps with an aggregate notional amount of $400 million fixing 10 years of interest payments at 4.78%. The objective of the hedge was to offset the expected variability on future payments associated with the interest rate on debt instruments. These contracts were terminated in 2012 and resulted in cash payments of $102.6 million, which were recorded in Accumulated other comprehensive loss and will be amortized to earnings over future periods. The cash flows stemming from the termination of such interest rate swaps designated as cash flow hedges are presented within financing activities in the Consolidated Statements of Cash Flows.

Foreign Currency Contracts

Forward Contracts: Through its global businesses, the Company enters into transactions and makes investments denominated in multiple currencies that give rise to foreign currency risk. The Company and its subsidiaries regularly purchase inventory from subsidiaries with currencies other than their functional currency which creates currency-related volatility in the Company’s results of operations. The Company utilizes forward contracts to hedge these forecasted purchases and sales of inventory. Gains and losses reclassified from Accumulated other comprehensive loss for the effective and ineffective portions of the hedge as well as any amounts excluded from effectiveness testing are recorded in Cost of sales. Gains and losses incurred after a hedge has been de-designated are not recorded in Accumulated other comprehensive income (loss), but are recorded directly to the Consolidated Statement of Operations and Comprehensive Income in Other-net. At December 28, 2013, the notional value of the forward currency contracts outstanding was $270.1 million, all of which was designated, and maturing on various dates through 2014. At December 29, 2012, the notional value of the forward currency contracts outstanding was $154.0 million, all of which was designated, maturing on various dates in 2013.

Purchased Option Contracts: The Company and its subsidiaries enter into various inter-company transactions whereby the notional values are denominated in currencies other than the functional currencies of the party executing the trade. In order to better match the cash flows of its inter-company obligations with cash flows from operations, the Company enters into purchased option contracts. Gains and losses reclassified from Accumulated other comprehensive income (loss) for the effective and ineffective portions of the hedge as well as any amounts excluded from effectiveness testing are recorded in Cost of sales. At December 28, 2013, the notional value of option contracts outstanding was $120.0 million maturing on various dates through 2014. As of December 29, 2012, the notional value of purchased option contracts was $173.0 million, maturing on various dates in 2013.

FAIR VALUE HEDGES

Interest Rate Risk: In an effort to optimize the mix of fixed versus floating rate debt in the Company’s capital structure, the Company enters into interest rate swaps. In October 2012, the Company entered into interest rate swaps with notional values which equaled the Company's $400 million, 3.4% notes due in 2021 and the Company's $400 million, 5.2% notes due in 2040. In January 2012, the Company entered into interest rate swaps with notional values which equaled the Company's $150 million, 7.05% notes due in 2028. These interest rate swaps effectively converted the Company’s fixed rate debt to floating rate debt based on LIBOR, thereby hedging the fluctuation in fair value resulting from changes in interest rates.

Previously, the Company entered into interest rate swaps related to certain of its notes payable which were subsequently terminated as discussed below. In January 2012 and December 2011, the Company entered into interest rate swaps related to the Company's $400 million, 3.4% notes due in 2021. In December 2010, the Company entered into interest rate swaps with notional values which equaled the Company’s $300 million, 4.75% notes due in 2014 and $300 million, 5.75% notes due in 2016. In January 2009, the Company entered into interest rate swaps with notional values which equaled the Company’s $200 million, 4.9% notes due in 2012 and $250 million, 6.15% notes due in

2013.

In January 2012, the Company terminated interest rates swaps with notional values equal to the Company's $300 million , 4.75% notes due in 2014, $300 million, 5.75% notes due in 2016, $200 million, 4.9% notes due in 2012 and $250 million, 6.15% notes due in 2013. In November 2012, the Company terminated interest rate swaps with notional values equal to the Company's $400 million, 3.40% notes due in 2021. These terminations resulted in cash receipts of $58.2 million. The resulting gain of $44.7 million was deferred and will be amortized to earnings over the remaining life of the notes. In July 2012, the Company repurchased the $250 million 6.15% notes due in 2013 and $300 million 4.75% notes due 2014 and, as a result, $11.1 million of the previously deferred gain was recognized in earnings at that time. In December 2013, the Company repurchased the $300 million 5.75% notes due 2016 and, as a result, $8.1 million of the previously deferred gain was recognized in earnings at that time.

The changes in fair value of the interest rate swaps during the period were recognized in earnings as well as the offsetting changes in fair value of the underlying notes. The notional value of open contracts was $950.0 million as of both December 28, 2013 and December 29, 2012. A summary of the fair value adjustments relating to these swaps is as follows (in millions):

	Year-to-Date 2013		Year-to-Date 2012	
Income Statement Classification	Gain/(Loss) on Swaps	Gain /(Loss) on Borrowings	Gain/(Loss) on Swaps	Gain /(Loss) on Borrowings
Interest Expense	$(141.0)	$141.0	$27.2	$(27.2)

In addition to the fair value adjustments in the table above, the net swap accruals for each period and amortization of the gains on terminated swaps are also reported as a reduction of interest expense and totaled $31.4 million and $35.1 million for 2013 and 2012, respectively. Interest expense on the underlying debt was $44.7 million and $31.4 million for 2013 and 2012, respectively.

NET INVESTMENT HEDGES

Foreign Exchange Contracts: The Company utilizes net investment hedges to offset the translation adjustment arising from re-measurement of its investment in the assets and liabilities of its foreign subsidiaries. The total after-tax amounts in Accumulated other comprehensive loss were losses of $76.8 million and $63.3 million at December 28, 2013 and December 29, 2012, respectively. As of December 28, 2013, the Company had foreign exchange contracts that mature on various dates through October 2014 with notional values totaling $979.0 million outstanding hedging a portion of its pound sterling denominated net investment. As of December 29, 2012, the Company had foreign exchange contracts maturing on various dates through October 2013 with notional values totaling $940.6 million outstanding hedging a portion of its pound sterling denominated net investment. For the year ended December 28, 2013 and December 29, 2012, maturing foreign exchange contracts resulted in net cash receipts of $3.6 million and $5.8 million, respectively. Gains and losses on net investment hedges remain in Accumulated other comprehensive income (loss) until disposal of the underlying assets. The pre-tax gain or loss from fair value changes was as follows (in millions):

	Year-to-Date 2013			Year-to-Date 2012		
Income Statement Classification	Amount Recorded in OCI Gain (Loss)	Effective Portion Recorded in Income Statement	Ineffective Portion* Recorded in Income Statement	Amount Recorded in OCI Gain (Loss)	Effective Portion Recorded in Income Statement	Ineffective Portion* Recorded in Income Statement
Other-net	$(21.8)	$ —	$—	$(47.6)	$ —	$—

*Includes ineffective portion and amount excluded from effectiveness testing.

UNDESIGNATED HEDGES

Foreign Exchange Contracts: Currency swaps and foreign exchange forward contracts are used to reduce risks arising from the change in fair value of certain foreign currency denominated assets and liabilities (such as affiliate loans, payables and receivables). The objective of these practices is to minimize the impact of foreign currency fluctuations on operating results. The total notional amount of the contracts outstanding at December 28, 2013 was $2.2 billion of forward contracts and $107.7 million in currency swaps, maturing on various dates through 2014. The total notional amount of the contracts outstanding at December 29, 2012 was $4.3 billion of forward contracts and $105.6 million in currency swaps, maturing on various dates through 2014. The income statement impacts related to derivatives not designated as hedging instruments for 2013 and 2012 are as follows (in millions):

Derivatives Not Designated as Hedging Instruments under ASC 815	Income Statement Classification	Year-to-Date 2013 Amount of Gain (Loss) Recorded in Income on Derivative	Year-to-Date 2012 Amount of Gain (Loss) Recorded in Income on Derivative

Foreign Exchange Contracts	Other-net	$ 39.6	$ 10.0

J. CAPITAL STOCK

EARNINGS PER SHARE — The following table reconciles net earnings attributable to common shareowners and the weighted average shares outstanding used to calculate basic and diluted earnings per share for the fiscal years ended December 28, 2013, December 29, 2012, and December 31, 2011.

Earnings per Share Computation:

	2013	2012	2011
Numerator (in millions):			
Net earnings from continuing operations attributable to common shareowners	$518.3	$464.8	$606.7
Net (loss) earnings from discontinued operations	(28.0)	419.0	67.9
Net earnings attributable to common shareowners	$490.3	$883.8	$674.6
Less: Earnings attributable to participating restricted stock units (“RSU’s”)	0.2	1.2	1.4
Net Earnings — basic	$490.1	$882.6	$673.2
Net Earnings — diluted	$490.3	$883.8	$674.6

	2013	2012	2011
Denominator (in thousands):			
Basic earnings per share — weighted-average shares	155,237	163,067	165,832
Dilutive effect of stock options and awards	3,539	3,634	4,273
Diluted earnings per share — weighted-average shares	158,776	166,701	170,105

	2013	2012	2011
Earnings (loss) per share of common stock:			
Basic earnings (loss) per share of common stock:			
Continuing operations	$3.34	$2.85	$3.65
Discontinued operations	(0.18)	2.57	0.41
Total basic earnings per share of common stock	$3.16	$5.41	$4.06
Diluted earnings (loss) per share of common stock:			
Continuing operations	$3.26	$2.79	$3.57
Discontinued operations	(0.18)	2.51	0.40
Total dilutive earnings per share of common stock	$3.09	$5.30	$3.97

The following weighted-average stock options and warrants were not included in the computation of diluted shares outstanding because the effect would be anti-dilutive (in thousands):

	2013	2012	2011
Number of stock options	307	1,825	2,379
Number of stock warrants	—	3,419	4,939
Number of shares related to the convertible preferred units	—	—	8,458

During August and September 2012, 4,938,624 stock warrants expired which were associated with the $320.0 million convertible notes that matured in May 2012. No shares were issued upon their expiration as the warrants were out of the money.

As of December 29, 2012, there were no shares related to stock warrants included in the calculation of diluted earnings per share as the warrants expired in the third quarter of 2012. As of December 31, 2011, there were no shares related to the Convertible Preferred Units included in the calculation of diluted earnings per share because the effect of the conversion option was not dilutive. These Convertible Preferred Units, as well as the convertible note hedge, are discussed more fully in Note H, Long-Term Debt and Financing Arrangements.

COMMON STOCK SHARE ACTIVITY — Common stock share activity for 2013, 2012 and 2011 was as follows:

	2013	2012	2011
Outstanding, beginning of year	159,952,027	169,046,961	166,347,430
Shares issued, other	—	814,693	—
Issued from treasury	3,828,056	3,344,163	2,864,564
Returned to treasury	(8,300,853)	(13,253,790)	(165,033)
Outstanding, end of year	155,479,230	159,952,027	169,046,961
Shares subject to the forward share purchase contract	—	(5,581,400)	(5,581,400)
Outstanding, less shares subject to the forward share purchase contract	155,479,230	154,370,627	163,465,561

In April 2013, the Company received 617,037 shares upon settlement of the capped call options purchased in November 2012.

In December 2012, upon executing an accelerated share repurchase contract, the Company received 9,345,794 shares. The Company received an additional 1,608,695 shares upon settlement of the contract in April 2013. For further detail on these transactions, see "Other Equity Arrangements" below.

The Company also repurchased approximately three million shares of common stock during the second quarter of 2012.

In 2011 the Company entered into a forward share purchase contract on its common stock. The contract obligated the Company to pay $350.0 million, plus an additional amount related to the forward component of the contract, to the financial institution counterparty not later than August 2013, or earlier at the Company's option, for the 5,581,400 shares purchased. The reduction of common shares outstanding was recorded at the inception of the forward share purchase contract and factored into the calculation of weighted average shares outstanding at that time. The Company elected to prepay the forward share purchase contract for $362.7 million in January 2013. In August 2013, the Company physically settled the contract, receiving 5,581,400 shares which have been reflected as "Returned to treasury" in the table above.

COMMON STOCK RESERVED — Common stock shares reserved for issuance under various employee and director stock plans at December 28, 2013 and December 29, 2012 are as follows:

	2013	2012
Employee stock purchase plan	2,414,509	2,586,768
Other stock-based compensation plans	13,778,756	505,851
Total shares reserved	16,193,265	3,092,619

PREFERRED STOCK PURCHASE RIGHTS — Each outstanding share of common stock has a 1 share purchase right. Each purchase right may be exercised to purchase one two-hundredth of a share of Series A Junior Participating Preferred Stock at an exercise price of $220.00, subject to adjustment. The rights, which do not have voting rights, expire on March 10, 2016, and may be redeemed by the Company at a price of $0.01 per right at any time prior to the tenth day following the public announcement that a person has acquired beneficial ownership of 15% or more of the outstanding shares of common stock. In the event that the Company is acquired in a merger or other business combination transaction, provision shall be made so that each holder of a right (other than a holder who is a 14.9%-or-more shareowner) shall have the right to receive, upon exercise thereof, that number of shares of common stock of the surviving Company having a market value equal to two times the exercise price of the right. Similarly, if anyone becomes the beneficial owner of more than 15% of the then outstanding shares of common stock (except pursuant to an offer for all outstanding shares of common stock which the independent directors have deemed to be fair and in the best interest of the Company), provision will be made so that each holder of a right (other than a holder who is a 14.9%-or-more shareowner) shall thereafter have the right to receive, upon exercise thereof, common stock (or, in certain circumstances, cash, property or other securities of the Company) having a market value equal to two times the exercise price of the right. At December 28, 2013, there were 155,479,230 outstanding rights.

STOCK-BASED COMPENSATION PLANS — The Company has stock-based compensation plans for salaried employees and non-employee members of the Board of Directors. The plans provide for discretionary grants of stock options, restricted stock units, and other stock-based awards.

The plans are generally administered by the Compensation and Organization Committee of the Board of Directors, consisting of non-employee directors.

Stock Option Valuation Assumptions: Stock options are granted at the fair market value of the Company's stock on the date of grant and have a 10-year term. Generally, stock option grants vest ratably over 4 years from the date of grant. The following describes how certain assumptions affecting the estimated fair value of stock options are determined: the dividend yield is computed as the annualized dividend rate at the date of grant divided by the strike price of the stock option; expected volatility is based on an average of the market implied volatility and historical volatility for the 5.25 year expected life; the risk-free interest rate is based on U.S. Treasury securities with maturities equal to the expected life of the option; and a seven percent forfeiture rate is assumed. The Company uses historical data in order to estimate forfeitures and holding period behavior for valuation purposes.

The fair value of stock option grants is estimated on the date of grant using the Black-Scholes option pricing model. The following weighted average assumptions were used to value grants made in 2013, 2012 and 2011.

	2013		2012		2011	
Average expected volatility	35.0	%	35.6	%	38.4	%
Dividend yield	2.5	%	2.8	%	2.5	%
Risk-free interest rate	1.6	%	0.8	%	1.1	%
Expected term	5.3 years		5.5 years		5.5 years	
Fair value per option	$20.70		$17.47		$18.29	
Weighted average vesting period	2.8 years		2.3 years		2.7 years	

Stock Options:

The number of stock options and weighted-average exercise prices are as follows:

	2013		2012		2011	
	Options	Price	Options	Price	Options	Price
Outstanding, beginning of year	9,056,493	$56.90	10,444,660	$52.47	11,641,564	$48.69
Granted	961,250	79.72	1,106,075	70.66	1,150,577	65.05
Exercised	(2,414,697)	50.75	(2,258,598)	43.07	(2,166,269)	40.34
Forfeited	(173,784)	80.97	(235,644)	68.48	(181,212)	52.19
Outstanding, end of year	7,429,262	$61.69	9,056,493	$56.90	10,444,660	$52.47
Exercisable, end of year	5,310,381	$57.10	5,515,617	$52.97	6,853,838	$49.74

At December 28, 2013, the range of exercise prices on outstanding stock options was $30.03 to $79.70. Stock option expense was $21.4 million, $26.6 million, and $21.5 million for the years ended December 28, 2013, December 29, 2012 and December 31, 2011, respectively. At December 28, 2013, the Company had $28.3 million of unrecognized pre-tax compensation expense for stock options. This expense will be recognized over the remaining vesting periods which are 2.8 years on a weighted average basis.

During 2013, the Company received $122.5 million in cash from the exercise of stock options. The related tax benefit from the exercise of these options is $25.3 million. During 2013, 2012 and 2011, the total intrinsic value of options exercised was $72.0 million, $69.1 million and $68.7 million, respectively. When options are exercised, the related shares are issued from treasury stock.

ASC 718, "Compensation — Stock Compensation," requires the benefit arising from tax deductions in excess of recognized compensation cost to be classified as a financing cash flow. To quantify the recognized compensation cost on which the excess tax benefit is computed, both actual compensation expense recorded and pro-forma compensation cost reported in disclosures are considered. An excess tax benefit is generated on the extent to which the actual gain, or spread, an optionee receives upon exercise of an option exceeds the fair value determined at the grant date; that excess spread over the fair value of the option times the applicable tax rate represents the excess tax benefit. In 2013, 2012 and 2011, the Company reported $15.2 million, $15.1 million and $14.1 million, respectively, of excess tax benefits as a financing cash flow within the proceeds from issuance of common stock caption.

Outstanding and exercisable stock option information at December 28, 2013 follows:

	Outstanding Stock Options			Exercisable Stock Options		
Exercise Price Ranges	Options	Weighted-average Remaining Contractual Life	Weighted-average Exercise Price	Options	Weighted-average Remaining Contractual Life	Weighted-average Exercise Price
$35.00 and below	656,479	3.63	$31.25	656,479	3.63	$31.25
$35.01 — 50.00	514,412	3.94	47.72	514,412	3.94	47.72
$50.01 — higher	6,258,371	6.62	66.03	4,139,490	5.38	62.36
	7,429,262	6.17	$61.69	5,310,381	5.03	$57.10

Compensation cost for new grants is recognized on a straight-line basis over the vesting period. The expense for retirement eligible employees (those aged 55 and over and with 10 or more years of service) is recognized by the date they became retirement eligible, as such employees may retain their options for the 10 year contractual term in the event they retire prior to the end of the vesting period stipulated in the grant.

Employee Stock Purchase Plan:

The Employee Stock Purchase Plan ("ESPP") enables eligible employees in the United States and Canada to subscribe at any time to purchase shares of common stock on a monthly basis at the lower of 85.0% of the fair market value of the shares on the grant date ($60.17 per share for fiscal year 2013 purchases) or 85.0% of the fair market value of the shares on the last business day of each month. A maximum of 6,000,000 shares are authorized for subscription. During 2013, 2012 and 2011 shares totaling 172,259 shares, 222,123 shares and 147,776 shares respectively, were issued under the plan at average prices of $58.59, $49.15, and $49.63 per share, respectively and the intrinsic value of the ESPP purchases was $3.7 million, $4.7 million and $2.6 million, respectively. For 2013, the Company received $10.1 million in cash from ESPP purchases, and there is no related tax benefit. The fair value of ESPP shares was estimated using the Black-Scholes option pricing model. ESPP compensation cost is recognized ratably over the one-year term based on actual employee stock purchases under the plan. The fair value of the employees' purchase rights under the ESPP was estimated using the following assumptions for 2013, 2012 and 2011, respectively: dividend yield of 2.5%, 2.4% and 2.1%; expected volatility of 28.0%, 34.0% and 30.0%; risk-free interest rates of 0.1%, 0.1% and 0.2%; and expected lives of one year. The weighted average fair value of those purchase rights granted in 2013, 2012 and 2011 was $24.07, $25.23 and $21.00, respectively. Total compensation expense recognized for ESPP amounted to $4.3 million for 2013, $5.5 million for 2012, and $2.6 million for 2011.

Restricted Share Units and Awards:

Compensation cost for restricted share units and awards, including restricted shares granted to French employees in lieu of RSU's, (collectively "RSU's") granted to employees is recognized ratably over the vesting term, which varies but is generally 4 years. RSU grants totaled 368,059 shares, 445,958 shares and 413,330 shares in 2013, 2012 and 2011, respectively. The weighted-average grant date fair value of RSU's granted in 2013, 2012 and 2011 was $80.68, $70.30 and $65.20 per share, respectively.

Total compensation expense recognized for RSU's amounted to $32.6 million, $34.8 million and $33.1 million, in 2013, 2012 and 2011 respectively. The actual tax benefit received in the period the shares were delivered was $20.8 million. The excess tax benefit recognized was$4.9 million, $3.7 million, and $3.8 million in 2013, 2012 and 2011, respectively. As of December 28, 2013, unrecognized compensation expense for RSU's amounted to $46.0 million and this cost will be recognized over a weighted-average period of 4.0 years.

A summary of non-vested restricted stock unit and award activity as of December 28, 2013, and changes during the twelve month period then ended is as follows:

	Restricted Share Units & Awards	Weighted Average Grant Date Fair Value
Non-vested at December 29, 2012	2,226,938	$61.73
Granted	368,059	80.68
Vested	(790,079)	79.73
Forfeited	(54,549)	80.23
Non-vested at December 28, 2013	1,750,369	$68.19

The total fair value of shares vested (market value on the date vested) during 2013, 2012 and 2011 was $63.0 million, $37.8 million and $32.8 million, respectively.

Non-employee members of the Board of Directors received restricted share-based grants which must be cash settled and accordingly mark-to-market accounting is applied. Additionally, the Board of Directors were granted restricted share units for which compensation expense of $1.1 million was recognized for 2013, 2012, and 2011.

Long-Term Performance Awards:

The Company has granted Long Term Performance Awards ("LTIPs") under its 2009 and 2013 Long Term Incentive Plans to senior management employees for achieving Company performance measures. Awards are payable in shares of common stock, which may be restricted if the employee has not achieved certain stock ownership levels, and generally no award is made if the employee terminates employment prior to the payout date. LTIP grants were made in 2011, 2012 and 2013. Each grant has separate annual performance goals for each year within the respective three year performance period. Earnings per share and return on capital employed represent 75% of the share payout of each grant. There is a third market-based element, representing 25% of the total grant, which measures the Company's common stock return relative to peers over the performance period. The ultimate delivery of shares will occur in 2014, 2015 and 2016 for the 2011, 2012 and 2013 grants, respectively. Total payouts are based on actual performance in relation to these goals.

In 2010, the Company initiated a Working Capital Incentive Plan under its 2009 Long Term Incentive Plan. The program provided executives the opportunity to receive stock in the event certain working capital turn objectives were achieved by June of 2013 and sustained for a period of at least six months. The ultimate issuance of shares occurred in the third quarter of 2013 based on actual performance during the performance period.

Expense recognized for these performance awards amounted to $9.4 million in 2013, $19.1 million in 2012, and $9.2 million in 2011. With the exception of the market-based award, in the event performance goals are not met compensation cost is not recognized and any previously recognized compensation cost is reversed.

A summary of the activity pertaining to the maximum number of shares that may be issued is as follows:

	Share Units	Weighted Average Grant Date Fair Value
Non-vested at January 1, 2013	1,084,919	$60.29
Granted	306,955	71.42
Vested	(452,591)	48.56
Forfeited	(86,334)	48.63
Non-vested at December 28, 2013	852,949	$71.70

OTHER EQUITY ARRANGEMENTS

In November 2013, the Company purchased from certain financial institutions “out-of-the-money” capped call options on 12.2 million shares of its common stock (subject to customary anti-dilution adjustments) for an aggregate premium of $73.5 million, or an average of $6.03 per share. The purpose of the capped call options is to hedge the risk of stock price appreciation between the lower and upper strike prices of the capped call options. In accordance with ASC 815-40 the premium paid was recorded as a reduction of Shareowners’ equity. The contracts for the options provide that they may, at the Company’s election, subject to certain conditions, be cash settled, physically settled, modified-physically settled, or net-share settled (the default settlement method). The capped call options have various expiration dates ranging from July 2015 through December 2015. The average lower strike price is $86.07 and the average upper strike price is $106.56, subject to customary market adjustments. The aggregate fair value of the options at December 28, 2013 was $66.0 million.

In December 2012, the Company entered into a forward starting accelerated share repurchase (“ASR”) contract with certain financial institutions to purchase $850.0 million of the Company's common stock. The Company paid $850.0 million to the financial institutions and received an initial delivery of 9.3 million shares, which reduced the Company's shares outstanding at December 29, 2012. The value of the initial shares received on the date of purchase was $680.0 million, reflecting a $72.76 price per share which was recorded as a treasury share purchase for purposes of calculating earnings per share. In accordance with ASC 815-40, the Company recorded the remaining $170.0 million as a forward contract indexed to its own common stock in additional paid in capital. In April 2013, the Company settled the contract and received 1.6 million shares determined by the average price per share paid by the financial institutions during the purchase period. The average price is calculated using the volume weighted average price ("VWAP") of the Company's stock (inclusive of a VWAP discount) during that period.

In November 2012, the Company purchased from certain financial institutions “out-of-the-money” capped call options, subject to adjustments for standard anti-dilution provisions, on 10.1 million shares of its common stock for an aggregate premium of $29.5 million, or an average of $2.92 per share. The purpose of the capped call options was to reduce share price volatility on potential future share repurchases. In accordance with ASC 815-40 the premium paid was recorded as a reduction of Shareowners’ equity. The average lower strike price was $71.43 and the average upper strike price was $79.75, subject to customary market adjustments. The capped call options were net-share settled and the Company received 0.6 million shares in April 2013. The Company recorded the receipt of treasury shares at fair value upon settlement.

In May 2011, the Company purchased from a financial institution over the counter 3 month “in-the-money” capped call options, subject to adjustments for standard anti-dilution provisions, on 2.4 million shares of its common stock for an aggregate premium of $19.6 million, or an average of $8.00 per option. The initial term of the capped call options was one month which was subsequently extended in an addendum to the agreement with the counterparty to a three month term. The purpose of the capped call options was to reduce share price volatility on potential future share repurchases by establishing the prices at which the Company could elect to repurchase 2.4 million shares in the three month term. In accordance with ASC 815-40 the premium paid was recorded as a reduction of Shareowners’ equity. The contracts for this series of options generally provided that the options might, at the Company’s election, be cash settled, physically settled or net-share settled (the default settlement method). This series of options had various expiration dates within the month of August 2011. The applicable lower strike price was $70.16 and the applicable upper strike price was $80.35. The capped calls were terminated in July 2011. The Company elected to net share settle the transaction and received 3,052 shares valued at $0.2 million.

Equity Units and Capped Call Transactions

As described more fully in Note H, Long-Term Debt and Financing Arrangements, on November 25, 2013, the Company issued Equity Units comprised of $345.0 million of Notes and Equity Purchase Contracts. The Equity

Purchase Contracts obligate the holders to purchase on November 17, 2016, for $100.00, between 1.0122 and 1.2399 shares of the Company's common stock, which are equivalent to an initial settlement price of $98.80 and $80.65, respectively, per share of common stock. Upon the November 17, 2016 settlement date, the Company will issue approximately 3.5 to 4.3 million shares of common stock, subject to customary anti-dilution adjustments, and expects to receive additional cash proceeds of $345.0 million. If a fundamental change occurs, in certain circumstances, the number of shares of common stock deliverable upon settlement of the Equity Purchase Contracts will be increased by the make-whole amount, resulting in the issuance of a maximum of approximately 6.1 million shares of common stock. As of December 28, 2013, there was no change to the strikes. Holders may elect to settle their Equity Purchase Contracts early in cash prior to November 17, 2016.

On November 25, 2013, contemporaneously with the issuance of the Equity Units described above, the Company paid $9.7 million, or an average of $2.77 per option, to enter into capped call transactions on 3.5 million shares of common stock with a major financial institution. The purpose of the capped call transactions is to offset the potential economic dilution associated with the common shares issuable upon the settlement of the Equity Purchase Contracts. Refer to Note H, Long-Term Debt and Financing Arrangements. In accordance with ASC 815-40, the $9.7 million premium paid was recorded as a reduction to equity.

The capped call transactions cover, subject to customary anti-dilution adjustments, the number of shares equal to the number of shares issuable upon settlement of the Equity Purchase Contracts at the 1.0122 minimum settlement rate. The capped call transactions have a term of approximately three years and initially have a lower strike price of $98.80, which corresponds to the minimum settlement rate of the Equity Purchase Contracts, and an upper strike price of $112.91, which is approximately 40% higher than the closing price of the Company’s common stock on November 25, 2013, and are subject to customary anti-dilution adjustments. The capped call transactions may be settled by net share settlement (the default settlement method) or, at the Company’s option and subject to certain conditions, cash settlement, physical settlement or modified physical settlement. The aggregate fair value of the options at December 28, 2013 was $8.7 million.

Convertible Preferred Units and Equity Option

As described more fully in Note H, Long-Term Debt and Financing Arrangements, in November 2010, the Company issued Convertible Preferred Units comprised of $632.5 million of Notes due November 17, 2018 and Purchase Contracts. There have been no changes to the terms of the Convertible Preferred Units. The Purchase Contracts obligate the holders to purchase, on the earlier of (i) November 17, 2015 (the Purchase Contract Settlement date) or (ii) the triggered early settlement date, 6.3 million shares, for $100 per share, of the Company’s 4.75% Series B Cumulative Convertible Preferred Stock (the “Convertible Preferred Stock”), resulting in cash proceeds to the Company of up to $632.5 million.

Following the issuance of Convertible Preferred Stock upon settlement of a holder’s Purchase Contracts, a holder of Convertible Preferred Stock may, at its option, at any time and from time to time, convert some or all of its outstanding shares of Convertible Preferred Stock at a conversion rate of 1.3333 shares of the Company’s common stock per share of Convertible Preferred Stock (subject to customary anti-dilution provisions), which is equivalent to an initial conversion price of approximately $75.00 per share of common stock. Assuming conversion of the 6.3 million shares of Convertible Preferred Stock at the 1.3333 initial conversion rate a total of 8.4 million shares of the Company’s common stock may be issued upon conversion. As of December 28, 2013, due to the customary anti-dilution provisions, the conversion rate on the Convertible Preferred Stock was 1.3579 (equivalent to a conversion price of approximately $73.64 per common share). In the event that holders elect to settle their Purchase Contracts prior to November 17, 2015, the Company will deliver a number of shares of Convertible Preferred Stock equal to 85% of the Purchase Contracts tendered, together with cash in lieu of fractional shares. Upon a conversion on or after November 15, 2017 the Company may elect to pay or deliver, as the case may be, solely shares of common stock, together with cash in lieu of fractional shares (“physical settlement”), solely cash (“cash settlement”), or a combination of cash and common stock (“combination settlement”). The Company may redeem some or all of the Convertible Preferred Stock on or after December 22, 2015 at a redemption price equal to 100% of the $100 liquidation preference per share plus accrued and unpaid dividends to the redemption date.

In November 2010, contemporaneously with the issuance of the Convertible Preferred Units described above, the Company paid $50.3 million, or an average of $5.97 per option, to enter into capped call transactions (equity options) on 8.4 million shares of common stock with certain major financial institutions. The purpose of the capped call transactions is to offset the common shares that may be deliverable upon conversion of shares of Convertible Preferred Stock. With respect to the impact on the Company, the capped call transactions and the Convertible Preferred Stock, when taken together, result in the economic equivalent of having the conversion price on the Convertible Preferred Stock at $96.17, the upper strike price of the capped call (as of December 28, 2013). Refer to Note H, Long-Term Debt and Financing Arrangements. In accordance with ASC 815-40 the $50.3 million premium paid was recorded as a reduction to equity.

The capped call transactions cover, subject to customary anti-dilution adjustments, the number of shares of common stock equal to the number of shares of common stock underlying the maximum number of shares of Convertible Preferred Stock issuable upon settlement of the Purchase Contracts. Each of the capped call transactions has a term of approximately five years and initially had a lower strike price of $75.00, which corresponded to the initial conversion price of the Convertible Preferred Stock, and an upper strike price of $97.95, which was approximately 60% higher than the closing price of the common stock on November 1, 2010. The capped call transactions may be settled by net share settlement (the default settlement method) or, at the Company’s option and subject to certain conditions, cash settlement, physical settlement or modified physical settlement. The aggregate fair value of the options at December 28, 2013 was $80.9 million.

K. ACCUMULATED OTHER COMPREHENSIVE LOSS

Accumulated other comprehensive income (loss) at the end of each fiscal year was as follows:

(Millions of Dollars)	Currency translation adjustment and other	Unrealized losses on cash flow hedges, net of tax	Unrealized losses on net investment hedges, net of tax	Pension (losses) gains, net of tax	Total
Balance - December 30, 2011	$(87.4)	$(75.9)	$(32.8)	$(153.1)	$(349.2)
Other comprehensive income (loss) before reclassifications	116.8	(20.5)	(30.5)	(113.3)	(47.5)
Reclassification adjustments to earnings	—	2.9	—	5.8	8.7
Net other comprehensive income (loss)	116.8	(17.6)	(30.5)	(107.5)	(38.8)
Balance - December 29, 2012	29.4	(93.5)	(63.3)	(260.6)	(388.0)
Other comprehensive (loss) income before reclassifications	(99.9)	4.5	(13.5)	(21.3)	(130.2)
Reclassification adjustments to earnings	—	11.7	—	7.5	19.2
Net other comprehensive (loss) income	(99.9)	16.2	(13.5)	(13.8)	(111.0)
Balance - December 28, 2013	$(70.5)	$(77.3)	$(76.8)	$(274.4)	$(499.0)

(Millions of Dollars)	2013	2012	
Components of accumulated other comprehensive income (loss)	Reclassification adjustments	Reclassification adjustments	Affected line item in Consolidated Statements of Operations And Comprehensive Income
Unrealized losses on cash flow hedges	$(18.5)	$(4.6)	Cost of sales
Tax effect	6.8	1.7	Income taxes on continuing operations
Unrealized losses on cash flow hedges, net of tax	$(11.7)	$(2.9)	
Amortization of defined benefit pension items:			
Actuarial losses	$(6.5)	$(5.0)	Cost of sales
Actuarial losses	(4.4)	(3.4)	Selling, general and administrative
Total before taxes	(10.9)	(8.4)	
Tax effect	3.4	2.6	Income taxes on continuing operations
Amortization of defined benefit pension items, net of tax	$(7.5)	$(5.8)	

L. EMPLOYEE BENEFIT PLANS

EMPLOYEE STOCK OWNERSHIP PLAN (“ESOP”) Most U.S. employees, including Black & Decker employees beginning on January 1, 2011, may contribute from 1% to 25% of their eligible compensation to a tax-deferred 401(k) savings plan, subject to restrictions under tax laws. Employees generally direct the investment of their own contributions into various investment funds. An employer match benefit is provided under the plan equal to one-half of each employee's tax-deferred contribution up to the first 7% of their compensation. Participants direct the entire employer match benefit such that no participant is required to hold the Company's common stock in their 401(k) account. The employer match benefit totaled $18.8 million, $19.1 million and $17.7 million in 2013, 2012 and 2011, respectively.

In addition, approximately 6,900 U.S. salaried and non-union hourly employees are eligible to receive a non-contributory benefit under the Core benefit plan. Core benefit allocations range from 2% to 6% of eligible employee compensation based on age. Approximately 4,200 U.S. employees also receive a Core transition benefit, allocations of which range from 1% to 2% of eligible compensation based on age and date of hire. Approximately 1,700 U.S. employees are eligible to receive an additional average 1% contribution actuarially designed to replace previously curtailed pension benefits. Allocations for benefits earned under the Core plan were $21.1 million in 2013, $29.4 million million in 2012 and $33.0 million in 2011. Assets held in participant Core accounts are invested in target date retirement funds which have an age-based allocation of investments.

Shares of the Company's common stock held by the ESOP were purchased with the proceeds of borrowings from the Company in 1991 ("1991 internal loan"). Shareowners' equity reflects a reduction equal to the cost basis of unearned (unallocated) shares purchased with the internal borrowings. In October 2013, the Company made an additional contribution to the ESOP for $9.5 million, which was used by the ESOP to make an additional payment on the 1991 internal loan. This payment triggered the release of 219,900 shares of unallocated stock.

The Company accounts for the ESOP under ASC 718-40, "Compensation — Stock Compensation — Employee Stock Ownership Plans". Net ESOP activity recognized is comprised of the cost basis of shares released, the cost of the aforementioned Core and 401(k) match defined contribution benefits, less the fair value of shares released and dividends on unallocated ESOP shares. The Company's net ESOP activity resulted in expense of $1.9 million in 2013, $25.9 million in 2012 and $28.4 million in 2011. The decrease in net ESOP expense in 2013 is related to the release of 219,900 additional shares discussed above. ESOP expense is affected by the market value of the Company's common stock on the monthly dates when shares are released. The market value of shares released averaged $80.71 in 2013, $70.98 per share in 2012 and $68.12 per share in 2011.

Unallocated shares are released from the trust based on current period debt principal and interest payments as a percentage of total future debt principal and interest payments. Dividends on both allocated and unallocated shares may be used for debt service and to credit participant accounts for dividends earned on allocated shares. Dividends paid on the shares acquired with the 1991 internal loan were used solely to pay internal loan debt service in all periods. Dividends on ESOP shares, which are charged to shareowners' equity as declared, were $12.3 million in 2013, $12.4 million in 2012 and $12.2 million in 2011, net of the tax benefit which is recorded within equity. Dividends on ESOP shares were utilized entirely for debt service in all years. Interest costs incurred by the ESOP on the 1991 internal loan, which have no earnings impact, were $6.1 million, $6.7 million and $7.2 million for 2013, 2012 and 2011, respectively. Both allocated and unallocated ESOP shares are treated as outstanding for purposes of computing earnings per share. As of December 28, 2013, the cumulative number of ESOP shares allocated to participant accounts was 12,699,476, of which participants held 2,885,480 shares, and the number of unallocated shares was 2,865,580. At December 28, 2013, there were no released shares in the ESOP trust holding account pending allocation. The Company made cash contributions totaling $30.7 million in 2013, $36.6 million in 2012 and $16.2 million in 2011.

PENSION AND OTHER BENEFIT PLANS — The Company sponsors pension plans covering most domestic hourly and certain executive employees, and approximately 14,000 foreign employees. Benefits are generally based on salary and years of service, except for U.S. collective bargaining employees whose benefits are based on a stated amount for each year of service.

The Company contributes to a number of multi-employer plans for certain collective bargaining U.S. employees. The risks of participating in these multiemployer plans are different from single-employer plans in the following aspects:

a. Assets contributed to the multiemployer plan by one employer may be used to provide benefit to employees of other participating employers.

b. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be inherited by the remaining participating employers.

c. If the Company chooses to stop participating in some of its multiemployer plans, the Company may be required to pay those plans an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

In addition, the Company also contributes to a number of multiemployer plans outside of the U.S. The foreign plans are insured, therefore, the Company's obligation is limited to the payment of insurance premiums.

The Company has assessed and determined that none of the multiemployer plans to which it contributes are individually significant to the Company's financial statements. The Company does not expect to incur a withdrawal liability or expect to significantly increase its contributions over the remainder of the contract period.

In addition to the multiemployer plans, various other defined contribution plans are sponsored worldwide.

The expense for such defined contribution plans, aside from the earlier discussed ESOP plans, is as follows:

(Millions of Dollars)	2013	2012	2011
Multi-employer plan expense	$3.3	$3.3	$3.0
Other defined contribution plan expense	$14.6	$16.2	$9.9

The fluctuations in other defined contribution plan expense, for the three years presented, primarily pertains to changes from acquisitions and changes from employee headcount.

The components of net periodic pension expense are as follows:

	U.S. Plans			Non-U.S. Plans		
(Millions of Dollars)	2013	2012	2011	2013	2012	2011
Service cost	$7.7	$6.6	$6.5	$13.4	$12.1	$12.6
Interest cost	52.6	62.9	69.6	54.3	47.3	52.9
Expected return on plan assets	(65.1)	(67.1)	(70.0)	(54.9)	(44.3)	(50.5)
Prior service cost amortization	1.1	1.0	1.0	0.4	0.4	0.3
Transition obligation amortization	—	—	—	—	0.1	0.1
Actuarial loss amortization	5.7	6.2	2.5	5.1	2.1	3.0
Settlement / curtailment loss (gain)	—	11.3	1.9	4.6	3.3	(0.5)
Net periodic pension expense	$2.0	$20.9	$11.5	$22.9	$21.0	$17.9

The U.S. settlement loss in 2012 pertains to partial settlements in two qualified pension plans arising from the voluntary elections of participants.

The Company provides medical and dental benefits for certain retired employees in the United States and Canada. Approximately 12,400 participants are covered under these plans. Net periodic post-retirement benefit expense was comprised of the following elements:

	Other Benefit Plans		
(Millions of Dollars)	2013	2012	2011
Service cost	$0.8	$0.9	$0.6
Interest cost	2.5	3.1	3.6
Prior service credit amortization	(1.4)	(1.2)	(1.2)
Actuarial loss amortization	—	(0.2)	(0.2)
Settlement / curtailment gain	—	0.1	—
Net periodic post-retirement benefit expense	$1.9	$2.7	$2.8

Changes in plan assets and benefit obligations recognized in other comprehensive income in 2013 are as follows:

(Millions of Dollars)	2013
Current year actuarial loss	$6.5
Amortization of actuarial loss	(16.2)
Prior service cost from plan amendments	2.6
Amortization of prior service costs	(0.1)
Amortization of transition obligation	—
Currency / other	6.6
Total income recognized in other comprehensive income (pre-tax)	$(0.6)

The amounts in Accumulated other comprehensive loss expected to be recognized as components of net periodic benefit costs during 2014 total $8.1 million, representing amortization of $8.0 million of actuarial loss and $0.1 million of prior service cost.
The changes in the pension and other post-retirement benefit obligations, fair value of plan assets, as well as amounts recognized in the Consolidated Balance Sheets, are shown below:

	U.S. Plans		Non-U.S. Plans		Other Benefits	
(Millions of Dollars)	2013	2012	2013	2012	2013	2012
Change in benefit obligation						
Benefit obligation at end of prior year	$1,463.4	$1,501.0	$1,134.7	$965.7	$87.7	$80.1
Service cost	7.7	6.6	13.4	12.1	0.8	0.9
Interest cost	52.6	62.9	54.3	47.3	2.5	3.1
Settlements/curtailments	—	(126.6)	(20.5)	(14.6)	—	(0.1)
Actuarial (gain) loss	(111.4)	100.2	104.2	127.5	(4.4)	4.5
Plan amendments	2.6	1.3	—	(1.0)	—	0.9
Foreign currency exchange rates	—	—	43.7	41.0	(0.8)	0.3
Participant contributions	—	—	0.3	0.3	—	—
Acquisitions, divestitures and other	(4.3)	8.5	246.3	5.3	—	7.8
Benefits paid	(94.7)	(90.5)	(58.8)	(48.9)	(10.7)	(9.8)
Benefit obligation at end of year	$1,315.9	$1,463.4	$1,517.6	$1,134.7	$75.1	$87.7
Change in plan assets						
Fair value of plan assets at end of prior year	$1,057.1	$1,079.5	$779.1	$709.4	—	$—
Actual return on plan assets	40.6	129.3	61.1	64.8	—	—
Participant contributions	—	—	0.3	0.3	—	—
Employer contributions	54.9	62.2	44.6	35.0	10.7	9.8
Settlements	—	(126.6)	(19.5)	(13.9)	—	—
Foreign currency exchange rate changes	—	—	31.8	31.5	—	—
Acquisitions, divestitures and other	(5.0)	3.2	237.3	0.9	—	—
Benefits paid	(94.7)	(90.5)	(58.8)	(48.9)	(10.7)	(9.8)
Fair value of plan assets at end of plan year	$1,052.9	$1,057.1	$1,075.9	$779.1	$—	$—
Funded status — assets less than benefit obligation	$(263.0)	$(406.3)	$(441.8)	$(355.6)	$(75.1)	$(87.7)
Unrecognized prior service cost (credit)	6.2	4.7	3.7	4.1	(9.3)	(10.7)
Unrecognized net actuarial loss	81.2	174.0	274.6	180.4	1.8	6.3
Unrecognized net transition obligation	—	—	0.2	0.3	—	—
Net amount recognized	$(175.6)	$(227.6)	$(163.3)	$(170.8)	$(82.6)	$(92.1)

	U.S. Plans		Non-U.S. Plans		Other Benefits	
(Millions of Dollars)	2013	2012	2013	2012	2013	2012
Amounts recognized in the Consolidated Balance Sheets						
Prepaid benefit cost (non-current)	$—	$—	$1.0	$1.1	$—	$—
Current benefit liability	(18.6)	(16.4)	(9.1)	(8.2)	(9.0)	(9.9)
Non-current benefit liability	(244.4)	(389.9)	(433.7)	(348.5)	(66.1)	(77.8)
Net liability recognized	$(263.0)	$(406.3)	$(441.8)	$(355.6)	$(75.1)	$(87.7)
Accumulated other comprehensive loss (pre-tax):						
Prior service cost (credit)	$6.2	$4.7	$3.7	$4.1	$(9.3)	$(10.7)
Actuarial loss	81.2	174.0	274.6	180.4	1.8	6.3
Transition liability	—	—	0.2	0.3	—	—
	$87.4	$178.7	$278.5	$184.8	$(7.5)	$(4.4)
Net amount recognized	$(175.6)	$(227.6)	$(163.3)	$(170.8)	$(82.6)	$(92.1)

The accumulated benefit obligation for all defined benefit pension plans was $2,784.3 million at December 28, 2013 and $2,551.1 million at December 29, 2012. Information regarding pension plans in which accumulated benefit obligations exceed plan assets follows:

	U.S. Plans		Non-U.S. Plans	
(Millions of Dollars)	2013	2012	2013	2012
Projected benefit obligation	$1,315.9	$1,463.4	$1,507.6	$1,125.9
Accumulated benefit obligation	$1,315.9	$1,460.7	$1,461.6	$1,084.2
Fair value of plan assets	$1,052.9	$1,057.1	$1,066.2	$769.8

Information regarding pension plans in which projected benefit obligations (inclusive of anticipated future compensation increases) exceed plan assets follows:

	U.S. Plans		Non-U.S. Plans	
(Millions of Dollars)	2013	2012	2013	2012
Projected benefit obligation	$1,315.9	$1,463.4	$1,515.9	$1,134.3
Accumulated benefit obligation	$1,315.9	$1,460.7	$1,467.2	$1,090.3
Fair value of plan assets	$1,052.9	$1,057.1	$1,073.2	$777.7

The major assumptions used in valuing pension and post-retirement plan obligations and net costs were as follows:

	Pension Benefits								
	U.S. Plans			Non-U.S. Plans			Other Benefits		
	2013	2012	2011	2013	2012	2011	2013	2012	2011
Weighted-average assumptions used to determine benefit obligations at year end:									
Discount rate	4.50 %	3.75 %	4.25 %	4.00 %	4.00 %	5.00 %	4.00 %	3.00 %	3.75 %
Rate of compensation increase	6.00 %								